



REPORT

EXPLORING THE DYNAMICS OF HOUSEHOLD POVERTY IN THE FACE OF INFLATION: EVIDENCE FROM A SURVEY

July 2023

Disclaimer: The views expressed in this document are those of the authors, based on the views of focus group participants and interviewees and do not necessarily represent the views of other parties

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Abbreviations

CAD	Current Account Deficit
GDP	Gross Domestic Product
GNI	Gross National Income
CPI	Consumer Price Index
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
ILO	International Labour Organization
KAS	Kosovo Agency of Statistics
OECD	Organization for Economic Co-operation and Development
UNDP	United Nations Development Programme

Executive Summary

This Public Pulse Analysis aimed to assess the extent to which inflation has affected the economic welfare of people in Kosovo¹. Through the collection of 1,500 household surveys and desk research, the analysis tried to address the following four questions:

1. How has inflation changed economic choices, and how many households are considerably poorer in 2023 compared to 2021?
2. Has the increase in inflation increased indebtedness among households?
3. How do incomes, especially from the Diaspora and social assistance programmes/pension programmes, explain expenditure choices or levels of income?
4. How has inflation affected the overall quality of life (measured through: a) disparities between expenditure increases and income, thereby reducing the purchasing power of individuals, b) direct questioning of respondents in regard to how price increases have affected their quality of life, c) inflation's impact on mental and social well-being and how inflation has altered people's choices) at the household level?

Below are the key findings resulting from the survey collection, as well as a series of recommendations:

How has inflation changed economic choices, and how many households are considerably poorer in 2023 compared to 2021?

- ✓ While household income has generally remained unchanged during 2021-2023, expenditures for basic needs increased over these three consecutive years;
- ✓ Expenditures for groceries which account for the largest share of household consumption (55% of consumption as estimated by the 2022 Kosovo Agency of Statistics (KAS) Household Budget Survey), have shown an increase with a higher share of household spending: while in 2021 38.8% of households from the survey data spent 200 or more Euros (the highest expenditure bracket in the questionnaire) this increased to 47.8% and up to 59.5% of households in 2022 and 2023 respectively.
- ✓ A similar trend is observed for utilities: the share of households spending between 50-99 EUR (the most frequent answer in the questionnaire) increased from 39.8% in 2021 to 45.6% in 2022 and to 47.9% in 2023.
- ✓ Transportation costs have also increased, with 70% spending more than 30 EUR in 2021 to 80% of households in 2023.
- ✓ Health expenditures have also shown an increase: 50.3% of households reported healthcare spendings of more than 30 EUR in 2021 compared to 58.6% who reported the same for 2023.
- ✓ Increased prices are also confirmed by the declaration of nearly all respondents (99.5%) claiming to have noticed that the price of items they buy has gone up in the past year: an

¹ For UN, references to Kosovo shall be understood to be in the context of United Nations Security Council resolution 1244 (1999).

increase in the price of groceries was reported for 84.4% of respondents; 49.5% for utility; 41.9% for rent; 45.6% for education, and 59.2% for healthcare services/products.

- ✓ As a result of price changes, 44% of households reported buying fewer products while spending more, and 42% indicated that they are buying the same amount of products with the same amount of money (a similar share reported this when asked specifically for groceries, utilities, health care, and a slightly lower share for education expenses with 30.7% of respondents).
- ✓ The vast majority of Kosovo residents reported being worried about the price changes; the share is highest among K-Roma, K-Ashkali and K-Egyptian communities (94.1% compared to 91.7% of K-Albanians and 92.2% of K-Serbs).

Poverty assessment:

- Based on income data and the poverty line of 1.85 EUR per person per day, the poverty rate in 2023 is estimated to be 16%, compared to 17.6% in 2022 and 14.5% in 2021. In other words, each year's corresponding percentage of families falls below the poverty threshold of 1.85 EUR per day.
- **10% of households were considerably poorer between 2023 and 2021, showing a decline compared to the previous year.** Compared to 2021, in 2023, an additional 10% of surveyed families were living below the threshold of 1.85 EUR per day when adjusted for price increases.

Has the increase in inflation increased indebtedness among households?

- **Inflation has increased indebtedness among households, as they rely on loans and credit cards to meet financial needs. To combat inflation consequences in the past year, 16.1% of the respondents used credit cards, and 16.3% stated that they had to use credit cards or other forms of debt to cover increased household expenditures.** Financial strain is evident, with 29% of respondents cutting back on expenses and delaying bill payments.

How do incomes, especially from the Diaspora and social assistance programmes/pension programmes, explain expenditure choices or levels of income?

- Social protection schemes support 21.5% of households; however, the amount received is small, with 50.6% receiving between 100-199 EUR. The social assistance scheme, which is the only one targeting those experiencing poverty, has not been adjusted for inflation; hence, its intended aim to support the basic needs of poor households was not achieved.
- Remittances remain an important source of household finances in Kosovo, with about one-third of households receiving such income. Although the price crises also affected Diaspora host countries (the majority in Germany and Switzerland), a small share of remittance recipients reported a decline. According to the Central Bank of Kosovo, remittance inflow increased during the observed years in this analysis.

How has inflation affected the overall quality of life (measured through: a) disparities between expenditure increases and income, thereby reducing the purchasing power of individuals, b) direct

questioning of respondents regarding how price increases have affected their quality of life, c) inflation's impact on mental and social well-being and how inflation has altered people's choices) **at the household level?**

- **Inflation has affected mental and social well-being, causing disruptions in routine activities and increased stress, leading to lower quality of life; 46% stated that their stress and anxiety increase as a result of increased prices (a significantly higher share among K-Roma, K-Ashkali and K-Egyptian communities); 36% reported impact on personal relationship or social life; and 23% are concerned about their mental well-being due to inflation.**
- Decreased social activities, reduced leisure and health-related activities, disrupted sleep patterns, and work productivity were reported.

Based on the key findings of the report, the following recommendations are proposed:

1. **Implement labor market reforms and provide economic support:** Encourage and support entrepreneurial activities to promote self-employment and job creation. Develop policies to attract foreign investments and stimulate growth in labor-intensive industries, such as production, construction, retail trade, and hospitality. Pay specific attention to supporting women-owned businesses.
2. **Adjust social assistance and expand coverage:** Revisit the criteria for removing households from the Social Assistance Category 2 and address criticisms regarding the outdated consumption basket used to determine the size of social assistance. Reform ongoing social assistance schemes to improve coverage and consider setting a ceiling for additional income from work to prevent beneficiaries from resorting to informal employment.
3. **Increase the minimum wage:** Consider approving a recent proposal to raise the minimum wage in Kosovo from its current rate of 170 EUR to 250 EUR. Regularly review and adjust the minimum wage to ensure it reflects the cost of living and provides fair compensation to workers.
4. **Enhance child benefits:** Gradually increase the child benefit amount beyond the current 10 EUR per month per child, based on fiscal space availability. This policy can provide crucial support to families and contribute to children's well-being.
5. **Implement active labor market policies:** Support the activation of social assistance recipients by prioritizing their participation in active labor market measures provided by the Employment Agency and other ministries. Tailor programmes to address the specific needs of vulnerable groups, such as women, K-Roma, K-Ashkali and K-Egyptian communities, people with special needs, and single mothers.
6. **Strengthen oversight of price changes:** Increase the inspection capacities of regulatory bodies to monitor and prevent unjustified price increases by companies. Regularly monitor price changes to ensure they align with market conditions and prevent excessive profit-seeking behaviors.
7. **Conduct public awareness campaigns:** Launch campaigns to educate households on budgeting, financial management, and coping strategies during periods of inflation. Establish platforms for collecting people's feedback and concerns to ensure consideration of their perspectives in policymaking processes.

8. **Foster collaboration among institutions, civil society organizations, and private sector stakeholders:** Strengthen cooperation and coordination among key stakeholders to collectively support individuals most in need. Collaboration can lead to more effective policies and initiatives to mitigate the impact of rising prices on vulnerable populations.

Introduction

The contemporary global landscape is marked by significant challenges, such as the global energy crisis, the conflict in Ukraine, and the COVID-19 pandemic. These events have caused disruptions to business cycles, with many economies still recovering from the pandemic recession. Given supply chain bottlenecks, the ongoing war, trade barriers, and other disruptions to the economic systems, the cost of living has surged, and inflation rates have risen, resulting in a rise in poverty levels and a substantial reduction in the economic well-being of many households.

Undoubtedly, Kosovo's economy is plagued by these disruptions. According to the World Bank, in December 2022, Kosovo's food inflation rate was 19.4% compared to 8.8% in January of the same year². More generally, the overall inflation rate in Kosovo, as reported by World Bank Data, stands at 11.6% as of 2022, the highest since the adoption of the Euro³.

In light of these events, it is imperative to understand how inflation in Kosovo has affected the economic well-being of individuals and their relative position in economic poverty. Thus, this Public Pulse Analysis aims to assess the extent to which inflation has affected the economic welfare of the people in Kosovo. Through the collection of household surveys and thorough desk research, the analysis aims to address the following questions:

- How has inflation changed economic choices, and how many households are considerably poorer in 2023 compared to 2021?
- Has the increase in inflation increased indebtedness among households?
- How do incomes, especially from the Diaspora and social assistance programmes/pension programmes, explain expenditure choices or levels of income?
- How has inflation affected the overall quality of life at the household level?

The subsequent sections provide a literature review, the findings from the household survey categorized into subsections, an explanation of the sampling methodology used, and ultimately, the conclusions and recommendations.

² The World Bank Food Security Update. (2023). Accessible at: <https://thedocs.worldbank.org/en/doc/40ebbf38f5a6b68bfc11e5273e1405d4-0090012022/related/Food-Security-Update-LXXVII-January-26-2023.pdf>

³ Inflation, consumer prices (annual %) – Kosovo. Accessible at: <https://data.worldbank.org/indicator/FP.CPI.TOTL.ZG?locations=XK>

An Overview of Literature

Kosovo's Macroeconomic Indicators

Frequently referred to as the "youngest in Europe," Kosovo has experienced a gradual and consistent economic growth trajectory. However, Kosovo has faced challenges stemming from economic isolation and lack of recognition from Serbia and five European Union members, including Cyprus, Greece, Romania, Slovakia, and Spain.

Kosovo is classified as upper-middle-income in 2020 by the World Bank (with GNI per capita of \$3,996 to \$12,375)⁴. In 2021, Kosovo's GDP amounted to \$9.41 billion, as measured in current US dollars. Although it experienced a setback in GDP growth in 2020, its economy has been on an overall upward trajectory in terms of economic growth. However, the GDP per capita in 2021 stood at a modest \$5,269.8, measured in current US dollars, in the same year⁵. Compared to OECD countries, for which the average GDP per capita is \$42,446 measured in current US dollars⁶, it is evident that Kosovo's economy is lacking relative to high-income countries. However, its growth has been positively sloped compared to the previous years.

Studies estimate that Kosovo's GDP growth is expected to increase in 2023, reaching a 3.7% growth rate. Despite the growth, Kosovo's economy is unsustainable and vulnerable to international fluctuations. This is attributed to a myriad of factors, including reliance on remittances, imports, and a low labor force participation rate.

For example, in 2021, remittances accounted for 18% of GDP⁷; the CAD deteriorated to 10.1% of GDP (as compared to 8.1% in 2021) mainly due to higher import prices⁸; and the latest unemployment rate was recorded at 20.7% as of 2021⁹. The latter is more severe among the youth (15-24 years of age), for which the unemployment rate is 38.9%, and women, for which the employment rate is 16% compared to 44% of men¹⁰. The estimated unemployment rate for women in Kosovo is 22.1%⁹. However, when considering the economic definition of unemployment as individuals who are capable and willing to work but unable to find employment and juxtaposing this finding with the low employment rate, it becomes evident that the actual unemployment rate is likely higher. This discrepancy can be attributed to women who may not actively seek employment due to traditional responsibilities and duties that prevent them from actively looking for a job. As a result, the unemployment rate for women, while significant, may not reflect the reality.

In terms of price levels, the overall inflation rate in Kosovo, as reported by World Bank Data, stands at 11.6% as of 2022, compared to 3.4% in 2021 and 0.2% in 2020. In 2022, Kosovo recorded the highest inflation rate since adopting the EUR bill².

⁴ The World Bank. Upper Middle Income Countries. Accessible at: <https://data.worldbank.org/country/XT>

⁵ The World Bank. Kosovo Macroeconomic Data. Accessible at: <https://data.worldbank.org/country/kosovo>

⁶ The World Bank. GDP per capita (current US \$) – OECD members. Accessible at: <https://data.worldbank.org/country/kosovo>

⁷ Trading Economics. Kosovo- Workers' Remittances and Compensation of Employees, Received (% of GDP). Accessible at: [https://tradingeconomics.com/kosovo/personal-remittances-received-percent-of-gdp-wb-data.html#:~:text=Personal%20remittances%2C%20received%20\(%25%20of,compiled%20from%20officially%20recognized%20sources.](https://tradingeconomics.com/kosovo/personal-remittances-received-percent-of-gdp-wb-data.html#:~:text=Personal%20remittances%2C%20received%20(%25%20of,compiled%20from%20officially%20recognized%20sources.)

⁸ The World Bank in Kosovo. An Overview. Accessible at: <https://www.worldbank.org/en/country/kosovo/overview#3>

⁹ Trading Economics: Kosovo Unemployment Rate. Accessible at: <https://tradingeconomics.com/kosovo/unemployment-rate>

¹⁰ Kosovo Agency of Statistics. Labor Force Survey Q2 2022. Available at: <https://ask.rks-gov.net/media/6953/labour-force-survey-q2-2021.pdf>

Additionally, the most recent information regarding poverty rates in Kosovo reveals that in 2017, approximately 18% of the population resided below the poverty line, which was set at 1.85 EUR per day. Furthermore, 15% of individuals employed in Kosovo faced the possibility of slipping into poverty. While unfortunate, these percentages indicate a positive trend compared to previous years, as they are 6-7 percentage points lower than the figures recorded in 2012¹¹.

Causes and consequences of inflation

Inflation, officially defined as a rise in prices across an economy, is a macroeconomic threat that jeopardizes an economy's stability. In 2022, inflation is projected to be one of the biggest threats to global prosperity¹².

The causes of inflation can be attributed to the fundamental principles of supply and demand. Inflation can occur due to supply shocks that disrupt production, such as increased production costs, higher raw material expenses, or natural disasters. This type of inflation is referred to as "cost-push" inflation, where the price increase originates from a disturbance in the supply chain. Conversely, inflation can also arise from demand shocks, either through direct product demand increases or expansionary monetary policies involving lowered interest rates or increased money supply. These policies indirectly boost demand for final goods and services, leading to a general price rise. This type of inflation is known as "demand-pull" inflation. Although "cost-push" and "demand-pull" inflation are the most common types, inflation can also be driven by people's expectations. If individuals anticipate higher prices, they may incorporate these expectations into wage negotiations and contractual price adjustments, thus creating a self-fulfilling prophecy and fueling the inflation rate in the subsequent period.

The most recent period of inflation can be attributed to a combination of factors affecting supply and demand. On the supply side, disruptions stemming from the COVID-19 pandemic, such as delays in shipping and labor shortages, along with escalated energy and food prices triggered by the invasion of Ukraine, have had a cascading effect on the prices of diverse goods across the economy¹¹.

On the demand side, numerous countries implemented substantial monetary injections to bolster households and businesses amidst the pandemic, ensuring their ability to navigate through lockdowns and job losses. This infusion of money into the economy increased the overall money supply and potentially contributed to inflation. Additionally, the demand for tangible goods experienced a significant surge during the pandemic as consumers had disposable income but limited avenues for expenditure due to restrictions on services like restaurants¹¹.

According to the Kosovo Agency of Statistics (KAS), the rise in consumer prices in late 2022 in Kosovo can be attributed to price increases in various sectors. These include transportation services, which saw a significant increase of 46.9%. Additionally, there was a notable rise in prices for solid fuels, firewood, and pallets, with an increase of 38.8%. Oils and fats experienced a price

¹¹ EBRD. "Kosovo country diagnostic: Private investment challenges and opportunities" (2022).

¹² Harvard Business Review. What Causes Inflation? (2022). Accessible at: <https://hbr.org/2022/12/what-causes-inflation>

surge of 30.9%, while the prices of milk, cheese, and eggs rose by 27.8%. The cost of bread and cereals also saw a considerable increase of 21.1%. Other notable increases were observed in the prices of meat, goods, and services related to the regular maintenance of the economy, which saw respective increases of 20.3% and 19.5%¹³.

Inflation poses a significant economic threat due to its impact on various aspects of an economy. Firstly, it diminishes the purchasing power of individuals since wages typically do not immediately increase in response to inflationary periods. As a result, people can buy fewer goods and services with the same amount of money, leading to a decrease in their standard of living. Secondly, inflation raises the cost of borrowing as individuals become reluctant to lend money if they anticipate that the value of money, they receive in the future will be diminished in terms of purchasing power. This hampers investment and economic growth as borrowing becomes less attractive.

Furthermore, inflation poses a risk as it erodes trust in a nation's currency. During periods of high inflation, there is often a sense of increased uncertainty among the public. People become skeptical about their currency's stability and future value, which can lead to a loss of confidence in the overall economy.

Moreover, inflation typically results in a redistribution of income within society. People who rely on fixed incomes, such as pension funds or social assistance, are particularly vulnerable to the negative effects of inflation. As prices rise, their purchasing power diminishes, making it more challenging for them to afford necessities and maintain their standard of living. This income redistribution can exacerbate existing inequalities and create additional financial burdens for those already economically disadvantaged.

Impact of Inflation on Household's Economic Well-Being: What Studies Say

Research indicates that the impact of inflation on households varies, and unfortunately, lower-income households tend to bear the greatest financial burden. This is primarily because lower-income households typically allocate a larger proportion of their budget toward goods and services that are significantly affected by inflation.

A recent study conducted in the United States towards the end of 2021, for instance, highlights that lower-income households experience an approximate increase in expenditure of 7%, whereas higher-income households face an increase of about 6%¹⁴.

A similar study conducted by the European Central Bank points out that households with varying income levels and financial circumstances have different capacities to adjust to the impact of inflationary shocks. In addition to reducing their consumption, households can borrow, utilize savings, increase their work hours, and negotiate for higher wages. However, lower-income

¹³ Prishtina Insight. Kosovo Ends 2022 With Record Inflation (2022). Accessible at: [https://prishtinainsight.com/kosovo-ends-2022-with-record-inflation/#:~:text=%E2%80%9CThis%20is%20mainly%20explained%20by,\(19.5%25\)%E2%80%9D%20KAS%20said.](https://prishtinainsight.com/kosovo-ends-2022-with-record-inflation/#:~:text=%E2%80%9CThis%20is%20mainly%20explained%20by,(19.5%25)%E2%80%9D%20KAS%20said.)

¹⁴ Penn Wharton. Impact of Inflation by Household Income. (2021). Accessible at: <https://budgetmodel.wharton.upenn.edu/issues/2021/12/15/consumption-under-inflation-costs>

households often have limited or no ability to decrease consumption, access savings, obtain credit, or secure higher wages. Moreover, they face a higher risk of unemployment if inflationary pressures lead to an economic downturn, especially when inflation is primarily driven by foreign supply shocks. The study points out, for example, that the disparity in inflation experienced by households in the lowest and highest 20% income brackets reached its peak in late 2022, reaching the highest level observed since the mid-2000s¹⁵.

Similarly, a report done by the International Labor Organization (ILO) in 2022 points out that a rise in inflation is causing a decline in real wage growth across several countries. This decline is particularly significant for lower-income individuals and their households, as they allocate a larger portion of their income towards essential goods and services, which tend to experience higher price hikes than non-essential items. For instance, as the report states, in Mexico, households in the lowest 10% income bracket, known as the bottom decile, allocate 42% of their income towards food, whereas those in the top decile only spend 14% on food¹⁶.

The ongoing inflation will undoubtedly have long-term effects on Kosovo's household economic well-being. This vulnerability is partially due to Kosovo's high resilience to European economies and its constraints in implementing discretionary monetary policy to contain inflation. Additionally, studies estimate that the collective impact of increased energy and food prices on household budgets can account for approximately 9.5% to 18% of total expenditure increases in household incomes¹⁷. The anticipated rise in the overall level of prices, and energy prices especially, is likely to push numerous households into poverty, particularly when considering that even in the absence of inflationary measures, 40% of Kosovo's population already suffers from energy poverty¹⁸.

Considering Kosovo's precarious economic condition, ongoing struggles with energy poverty, exposure and susceptibility to European economies, and limited monetary policy measures, it is evident that the recent inflation will significantly affect many families. These circumstances are likely to disrupt their economic well-being and stability.

Methodology

The study follows a quota sampling methodology with 1,500 surveys collected with households from all seven regions of Kosovo; 10% of the sample (150 individuals) was collected from the K-Serbian community, 10% (150 individuals) from other communities including K-Roma, K-Ashkali, and K-Egyptian communities, and the remaining 1,200 surveys were of K-Albanians.

¹⁵European Central Bank. The Impact of the Recent Inflation Surge Across Households. (2023). Accessible at:

https://www.ecb.europa.eu/pub/economic-bulletin/articles/2023/html/ecb.ebart202303_02~037515ed7d.en.html

¹⁶International Labor Organization. Global Wage Report- 2022-2023: The Impact of Inflation and COVID-19 in Wages and Purchasing Power.

Accessible at: https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/--travail/documents/publication/wcms_862569.pdf

¹⁷ UNDP. Assessing the Impact of the Ukraine Crisis on Kosovo: An Exercise in Strategic Foresight Including Scenario-Based Projections (2022).

Accessible at: [https://www.undp.org/sites/g/files/zskgke326/files/2023-](https://www.undp.org/sites/g/files/zskgke326/files/2023-03/Assessing%20the%20Impact%20of%20the%20Ukraine%20crisis%20on%20Kosovo%20-%20An%20Exercise%20in%20Strategic%20Foresight%20Including%20Scenario-Based%20Projections.pdf)

[03/Assessing%20the%20Impact%20of%20the%20Ukraine%20crisis%20on%20Kosovo%20-%20An%20Exercise%20in%20Strategic%20Foresight%20Including%20Scenario-Based%20Projections.pdf](https://www.undp.org/sites/g/files/zskgke326/files/2023-03/Assessing%20the%20Impact%20of%20the%20Ukraine%20crisis%20on%20Kosovo%20-%20An%20Exercise%20in%20Strategic%20Foresight%20Including%20Scenario-Based%20Projections.pdf)

¹⁸GIZ. Energy Poverty in Kosovo. (2021). Accessible at: <https://www.giz.de/en/downloads/giz2023-en-factsheet-energy-poverty.pdf>

The distribution of interviews in the sample was determined using official data from the Kosovo Agency of Statistics. This was done post-data collection through data weighing, particularly by gender and region so that sample data coincides with population data published by the Kosovo Agency of Statistics. The data was collected based on various factors, including region, gender, age, and ethnicity, using data from the 2011 Census. Considering the estimated population of 1,773,971 people in Kosovo for 2021, the margin of error for the total sample of 1,500 interviews, with a confidence level of 95%, is approximately $\pm 2.53\%$.

The tables below present the weighted sample distribution by region, type of settlement, gender, age, and ethnicity.

Table 1. Sample distribution by region

Region	Percentage (official data)	Interviews n=1500
Gjakovë/Djakovica	11%	165
Prishtinë/Priština	28%	420
Gjilan/Gnjilane	11%	165
Prizren	19%	285
Pejë/Peć	10%	150
Ferizaj/Uroševac	10%	150
Mitrovicë/Mitrovica	11%	165
Total	100%	1,500

Table 2. Sample distribution by type of settlement

Type of settlement	Percentage (official data)	Interviews n=1500
Rural	60%	900
Urban	40%	600
Total	100%	1,500

Table 3. Sample distribution by gender

Gender	Percentage (official data)	Interviews n=1500
Women	48%	720
Men	52%	780
Total	100%	1,500

Table 4. Sample distribution by age

Age	Percentage (official data)	Interviews n=1500
18-24	20%	300
25-34	25%	375
35-44	20%	300
45-54	15%	225
55-64	10%	150

65+	10%	150
Total	100%	1,500

Table 5. Sample distribution by ethnicity

Ethnicity	Percentage (official data)	Interviews n=1500
K Albanians	80%	1,200
K Serbs	10% (booster)	150
K Other	10% (booster)	150
Total	100%	1,500

The survey had a total of five modules:

- Respondent level: A module of the respondents' demographic information.
- Respondent level: A module regarding the respondents' employment information.
- Household level: A module determining respondents' general household income and the employment status of household members.
- Household level: A module regarding household expenditure at the household level.
- Respondent level regarding household perception: A module regarding the perception of the respondent in regard to how inflation has altered their choices and overall quality of life in the areas of income and expenditure patterns, debt, social assistance, remittances, the impact of rising prices on the respondent's mental and physical well-being, and an opinion question regarding the respondent's beliefs as to what actions should the Kosovo executive take to address inflation.

The respondents who completed the survey **were chosen randomly using the last-birthday methodology**, wherein the household member with the most recent (last) birthday was selected to complete the survey. As such, the questions asked regarded **either the household or individual level**. Whenever questions pertained strictly to the **individual level**, they were asked only for the respondent. The survey did not involve listing or recording demographic data of each family member separately in a structured format (commonly called a roster) when individual questions were asked. Instead, the survey only focused on collecting information about the respondent's income.

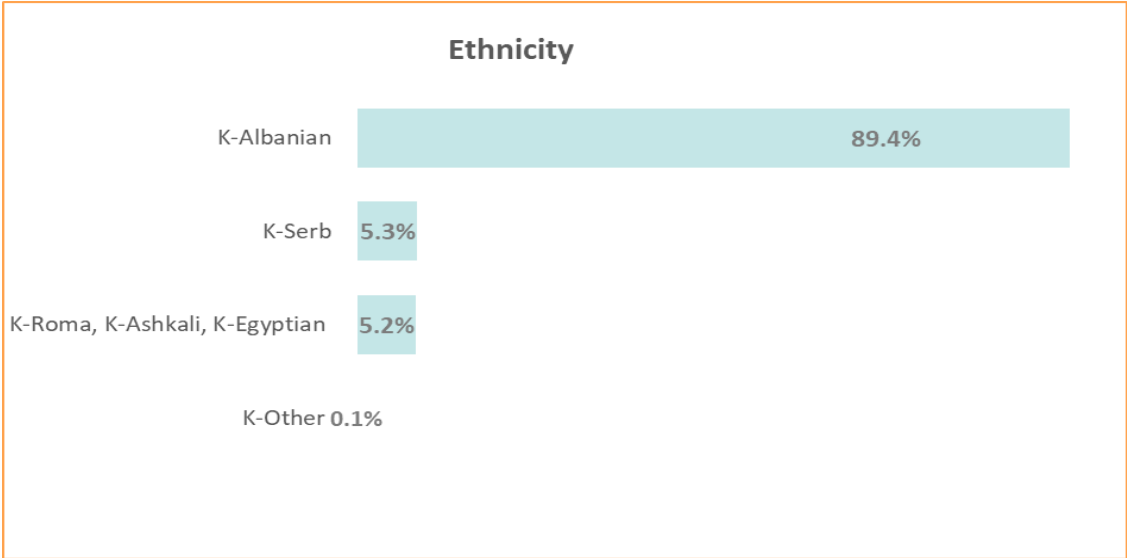
Results

Demographic Information

The data collected revealed that 50.6% were men and 49.4% were women after the data weighing. Furthermore, the respondents' ages ranged from 18 to 85 years, with a mean age of 43.42. These statistics provide an overview of the age distribution within the sample surveyed, indicating a wide range of ages among the participants.

The analysis of respondents' ethnicity reveals that the majority of respondents identified as K-Albanian, comprising 89.4% of responses. K-Serb ethnicity represents 5.3% of respondents, with K-Roma, and K-Ashkali ethnicities having smaller proportions, at a cumulative percentage of 5.2%. As per the census data of 2011, 93% of Kosovo's population consists of K-Albanians, 1.6% of K-Bosniaks, 1.5% of K-Serbs, 1% of K-Roma, K-Ashkali, and K-Egyptian¹⁹.

Figure 1. Ethnicity of Respondents



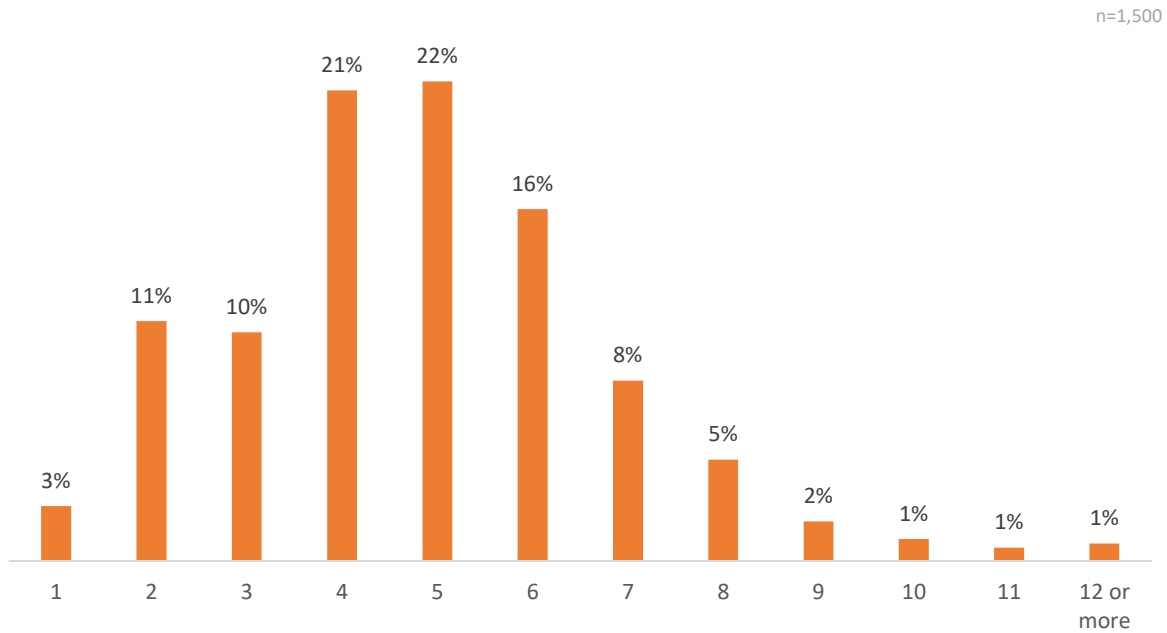
The analysis of respondents' marital status reveals that the largest percentage of respondents, comprising 67% of the sample, reported being married. Additionally, 23% of respondents identified themselves as single, suggesting a sizable portion of unmarried individuals within the surveyed sample. A small percentage of respondents, 2%, reported being in a relationship but not living together, while an equal percentage reported living with a partner or cohabiting. The proportions of respondents who identified as married but separated or divorced were each 1%. Lastly, 5% of respondents reported being widowed.

The findings reveal that a significant portion, 71% of the surveyed sample, reported having children, indicating that parenthood is prevalent within the sample group.

Furthermore, the mean household size of 4.89 members indicates that each household consists of approximately five individuals on average. The presence of children and the larger household size could affect factors such as housing needs, family dynamics, and resource allocation within these households.

¹⁹ The World Factbook. "Kosovo: Country Summary". Available at: <https://www.cia.gov/the-world-factbook/countries/kosovo/summaries/>

Figure 2. Number of Members living in Households



Respondent Employment Information

In addition, for this analysis, it was also crucial to understand the income distribution of respondents. As such, respondents of the survey were asked to report their own/personal average monthly net income and their household income from 2021 to 2023. This section presents findings solely on the respondents' personal average monthly net income, whereas the later section on "household income" delves into the demographic profile for the household level. The proportion of individuals reporting an income within the €0 to €249 range remained relatively stable over the years, with 17.7% in 2021, 18.8% in 2022, and 19.3% in 2023. Similarly, the percentage of respondents in the €250 to €399 income range showed slight fluctuations, with 12.7% in 2021, 12.5% in 2022, and 11.7% in 2023.

Notably, the proportion of individuals earning between €400 and €799 per month increased from 21.3% in 2021 to 23.1% in 2022 and 23.7% in 2023. In contrast, the percentage of respondents earning in higher income brackets (€800-€1199, €1200-€1999, €2000 or more) remained relatively consistent, with only minor variations.

Furthermore, a decrease in the percentage of individuals reporting no personal income over the years, from 43.5% in 2021 to 40.6% in 2022 and 39.5% in 2023, may indicate improved economic conditions or increased employment opportunities over the years.

Overall, these findings provide an understanding of the income distribution among the surveyed sample over three years, showcasing trends such as stability in lower income brackets, an increase in the €400-€799 range, a consistent presence of higher income earners, and a gradual decline in the percentage of individuals without personal income.

Table 6. Personal Monthly Income 2021-2023

	2021	2022	2023
€0 - €249	17.7%	18.8%	19.3%
€250 - €399	12.7%	12.5%	11.7%
€400 - €799	21.3%	23.1%	23.7%
€800 - €1199	3.7%	4.2%	4.5%
€1200- 1999€	0.7%	0.6%	0.9%
€2000 or more	0.3%	0.3%	0.4%
I did not have any own/personal income in this year	43.5%	40.6%	39.5%
Number of respondents (omitting Don't Know/Refuse to Answer)	1,453	1,459	1,462

Regarding the average monthly income, there was a gradual increase over the three-year period. In 2021, the mean monthly income of respondents was 205.8 EUR. This figure rose to 216.8 EUR in 2022, representing an increase of approximately 5.4%. In 2023, the mean monthly income further increased to 231.3 EUR, reflecting an additional rise of approximately 6.7% compared to the previous year. These increases provide valuable insights into the changing income trends and highlight the overall upward trajectory of average monthly income from 2021 to 2023.

In the following sections, the analysis is presented holistically and disaggregated by certain variables when appropriate. In instances where questions were posed at the household level, the analysis does not provide a breakdown based on individual demographic variables.

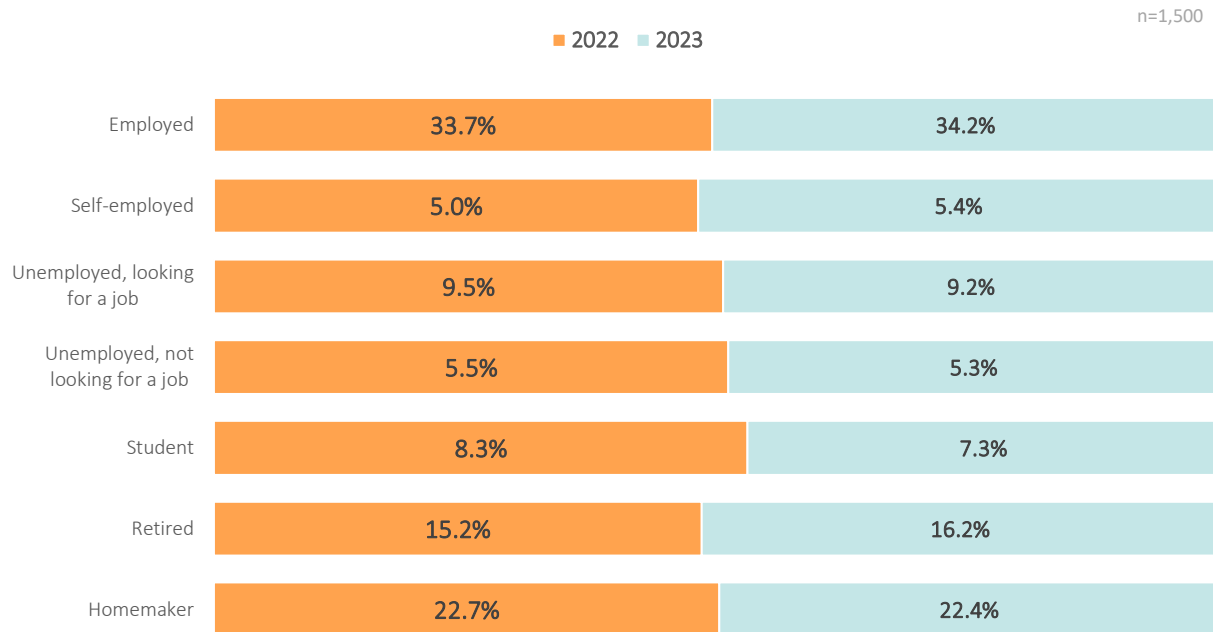
The final unweighted sample size is attached to each graph and answers with “do not know” or “refuse to answer” have been omitted from the analysis.

Respondent and Household Income and Employment

The survey asked questions about respondents’ employment information to assess the sample distribution, reasons behind non-employment if present, and industries where individuals are employed.

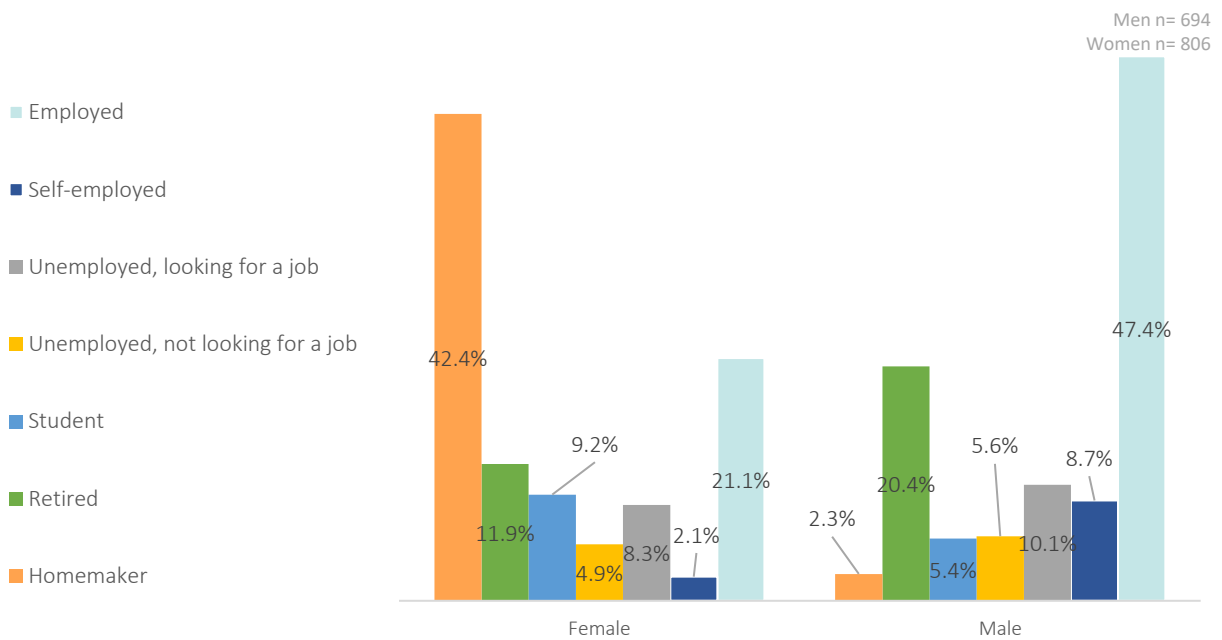
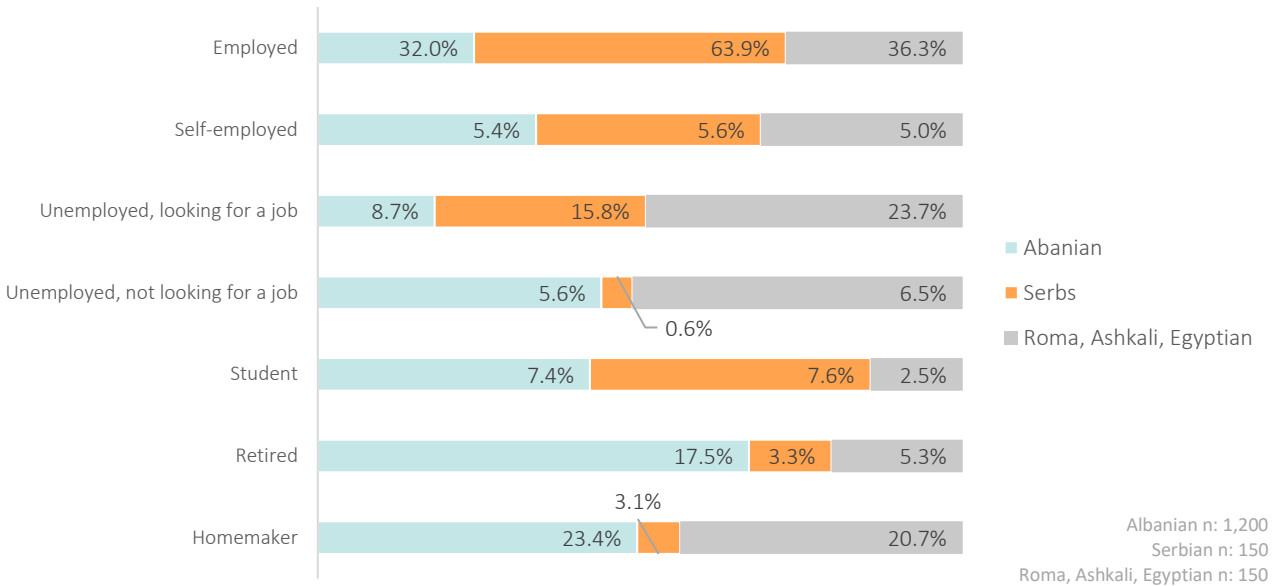
To measure employment status, the survey prompted individuals on whether they were employed a year ago, during the May-June period of 2022, and the May-June period of 2023. The percentage of respondents who reported employment in the latter period increased slightly to 34.2% compared to 33.7% in the previous year, indicating a slight improvement in the overall employment rate.

Figure 3. Employment Status: 2022 to 2023



When comparing the same data by ethnic background for 2023, the K-Serb community had a significantly higher level of employment (63.9%) as compared to their K-Albanian (32%) and K-Roma, K-Ashkali, K-Egyptian communities (36%) counterparts. Analyzing by gender reveals that the employment rate of women is much smaller (21.1%) compared to men’s (47.4%). However, given the small sample sizes of data collected with K-Serbs (n=150) and other communities (n=150), caution is advised when interpreting the data and population generalization is not advisable.

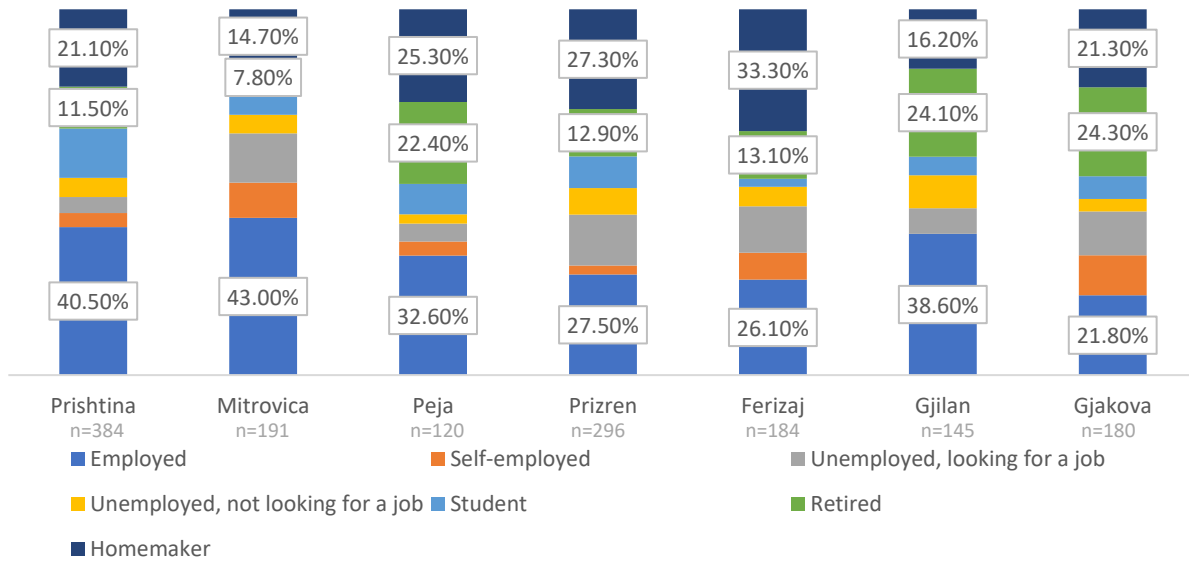
Figure 4. Employment Status by Gender and Ethnicity



In terms of regional spread, Mitrovicë/Mitrovica has the highest percentage of employed individuals (44.7%), followed by Prishtinë/Priština (39.5%) and Gjilan/Gnjilane (38.5%). Pejë/Peć (35.1%) and Prizren (28.2%) also have a significant portion of the population employed. Self-employment rates are relatively low across all cities, with Gjakovë/Djakovica having the highest percentage (10.9%). The data also shows variations in unemployment rates, with

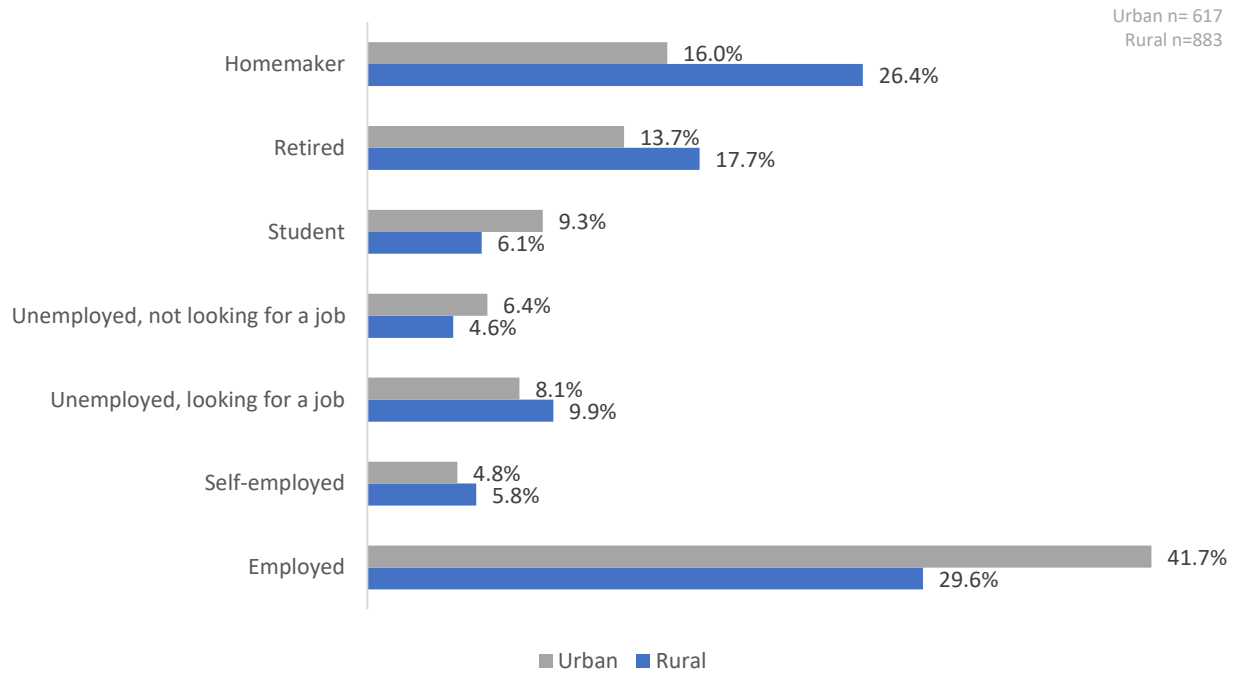
Mitrovicë/Mitrovica having the highest percentage of individuals actively looking for a job (13.5%). Retired individuals are most prevalent in Ferizaj/Uroševac (24.9%) and Gjakovë/Djakovica (25%), while Prizren (32.7%) and Ferizaj/Uroševac (28.2%) have the highest percentages of homemakers.

Figure 5. Employment Status by Region



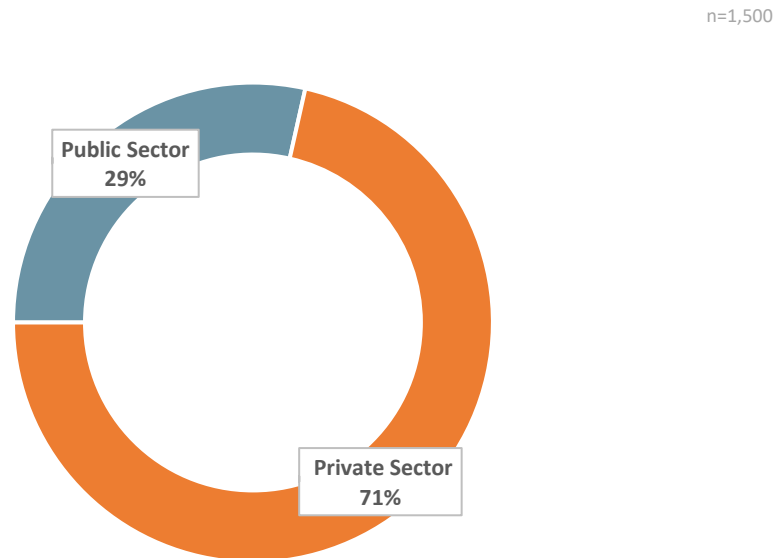
In terms of rural/urban spread, rural areas had less reporting of employed individuals and higher chances of being homemakers.

Figure 6. Employment Status by Settlement



In regard to the sector of employment, 71% of the sample work for the private sector and 29% for the public sector.

Figure 7. Sector of Employment



In terms of industry of employment of the sample, industry/production had the highest representation at 16.5% among the listed sectors. Construction accounted for 13.5%, indicating a notable portion of the sample working in the construction sector. Retail trade and the hospitality industry were also prominent, with percentages of 12.0% and 10.0%, respectively, reflecting the importance of these sectors in providing employment opportunities. The remaining are presented in detail in the table below. Comparing this data to the Labour Force Survey, agriculture consists of 2% of employment, 15.5% work in wholesale/retail trade, 2.3% in transport and storage, and so on²⁰. The possible discrepancy arising between sample data and official LFS data can be attributed to various factors. Firstly, industry grouping pertaining to industry categories was not always identical to the official LFS categories. Secondly, only individuals employed in the private sector were asked to declare their industry of employment, whereby they could have also added another “other” category of a self-declared industry.

Reviewing the data by ethnic background, the most significant percentage of the K-Albanian community is employed in industry/production (16.4%), followed by construction (13.3%). The K-Serbian community also reported the largest percentage employed in industry/production (22%), followed by transport/communication (13.9%). As for the K-Roma, K-Ashkali, and K-Egyptian communities, the highest industry employment was construction (16.2%), followed by textile/clothing (14.5%).

By gender, men were more likely to be employed in the production industry (19.1%) and women in the retail trade (21.4%).

Table 7. Industry of Employment: Total and by Ethnicity

	K-Albanians	K-Serbs	K-Roma, K-Ashkali, K-Egyptians
Agriculture	6.0%	6.4%	11.6%
Industry/Production	16.4%	22.2%	8.9%
Textile/Clothing	4.6%	0%	14.5%
Construction	13.3%	10.4%	16.2%
Retail trade	12.5%	6.9%	14.8%
Wholesale trade	3.8%	6.9%	0.0%
Hospitality industry	10.5%	2.9%	6.3%
Transport/communication	5.9%	13.9%	2.3%
Professional services	10.6%	9.9%	2.3%
Real estate	0.3%	0.0%	0.0%
Other	16.2%	20.3%	21.1%
Total	100.0%	100.0%	100.0%

²⁰ Labor Force Participation Survey. Q1 2022. Available at: <https://ask.rks-gov.net/media/7528/labour-force-survey-q1-2022.pdf>

Number of observations	345	47	30
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Table 8. Industry of Employment by Gender

	Men	Women
Agriculture	7.7%	1.4%
Industry/Production	19.1%	9.5%
Textile/Clothing	2.9%	9.9%
Construction	18.6%	0%
Retail trade	8.5%	21.4%
Wholesale trade	3.2%	5.4%
Hospitality industry	9.5%	11.2%
Transport/communication	7.7%	1.8%
Professional services	8.6%	15.4%
Real estate	0.4%	0.0%
Other	13.7%	23.9%
Total	100.0%	100.0%
Number of observations	282	126

The overall employment rate improved slightly, with 34.2% employed in May-June 2023 compared to 33.7% the previous year. Self-employment also showed a marginal increase, indicating growth in entrepreneurial activities. Actively seeking unemployed individuals decreased, suggesting a very slight job market improvement, while those unemployed but not actively looking declined.

Industry representation was diverse, with industry/production, construction, retail trade, and hospitality being prominent. Professional services and agriculture had notable representation, while real estate had the lowest presence.

Household Income and Employment

Since the objective of this report is to assess the effects of inflation on household welfare, the survey also included a set of inquiries to gather information about the income and employment situation of individuals within households.

The table below presents key findings regarding the main sources of income for households, whereby respondents could select multiple answer choices. Most households (73.1%) reported salary/wages as their primary source of income, indicating a significant reliance on employment-based earnings. Business income accounted for 7.9%, suggesting a portion of households' generated income through entrepreneurial ventures. At 8.5%, agriculture income indicated that a notable proportion of households derived income from agricultural activities. Investment and rental income were relatively low at 0.6% and 0.5% respectively.

For one-fifth of households, institutional assistance is the main income source, highlighting the approximate percentage of households that are dependent on institutional transfers for income. Additionally, 19.1% reported that remittances are the main source of income.

Looking at ethnic background, 93.4% of K-Serbs reported to have salary/wages as the main source of income, followed by agricultural income at 9.7%. For K-Albanians, in 71.8% of cases, the primary source of income came from salary/wages, followed by social assistance at 21.2%. For the K-Roma, K-Ashkali and K-Egyptian communities, 59.5% of income came from salary/wages and 45.3% from social assistance. The latter findings may indicate poorer employment outcomes for K-Roma, K-Ashkali and K-Egyptian communities and heavy reliance on social assistance.

Table 9. Main Source of Income: Total and by Ethnicity

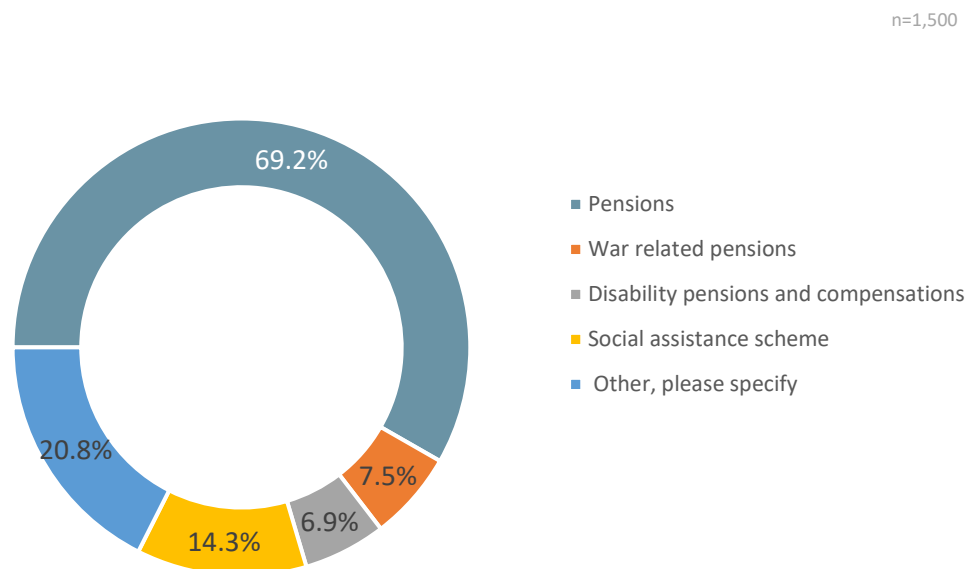
	K-Albanians	K-Serbs	K-Roma, K-Ashkali, K-Egyptians	Total
Salary/wages	53.2%	63.5%	36.8%	73.1%
Business income	5.8%	4.1%	5.8%	7.9%
Agriculture income	6.3%	9.7%	1.4%	8.5%
Investment income	0.3%	1.5%	0.4%	0.6%
Rental income	0.4%	0%	0%	0.5%
Institutional Payments	15.7%	9.6%	28.1%	20.7%
Remittances	14.6%	0.8%	20.5%	19.1%
Loans	0.3%	9.1%	0%	1.1%
Panhandling	0.4%	0%	1.3%	0.4%
Other	3.0%	1.9%	5.7%	4.9%
Total	100.0%	100.0%	100.0%	100%
Number of observations	1,200	150	150	1,500

Next, among households who responded that they received institutional income/transfers²¹, the key sources of this assistance include pensions, with the largest share (69.2% of households), then social assistance (at 14.3% - a higher share than the 6.7% as per administrative data of the MFLT²² [the survey did not ask whether Category 1 or 2]), conflict-related pensions (at 7.5%), and disability pensions and compensations (at 6.9%). Just above one-fifth of households indicated other sources of assistance, including pensions of parents/in-laws not necessarily living in the household, charity/receiving help from neighbors/relatives, and children assistance schemes.

²¹ Institutional payments or "government transfers" are payments made for which no current or future goods or services are required. They include Social Security benefits, unemployment insurance benefits, and welfare payments.

²² KAS, 2023, Social Welfare Statistics: <https://ask.rks-gov.net/media/7571/statistikat-e-mireqenies-sociale-maj-2023-shqip.pdf>

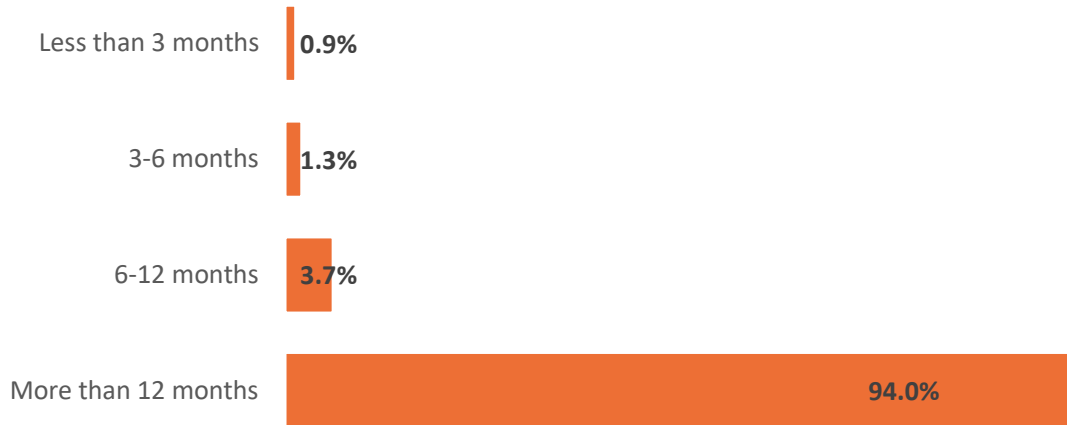
Figure 8. Institutional Payments: Breakdown of Support Received



Among households surveyed, 73.2% reported having unemployed individuals. By ethnicity, this was 73% among K-Albanian households, 65.4% of K-Serbian ones and 80.9% within K-Roma, K-Ashkali, K-Egyptian households. Most unemployed individuals (94%) within total -for more than 12 months).

Figure 9. Unemployment Duration

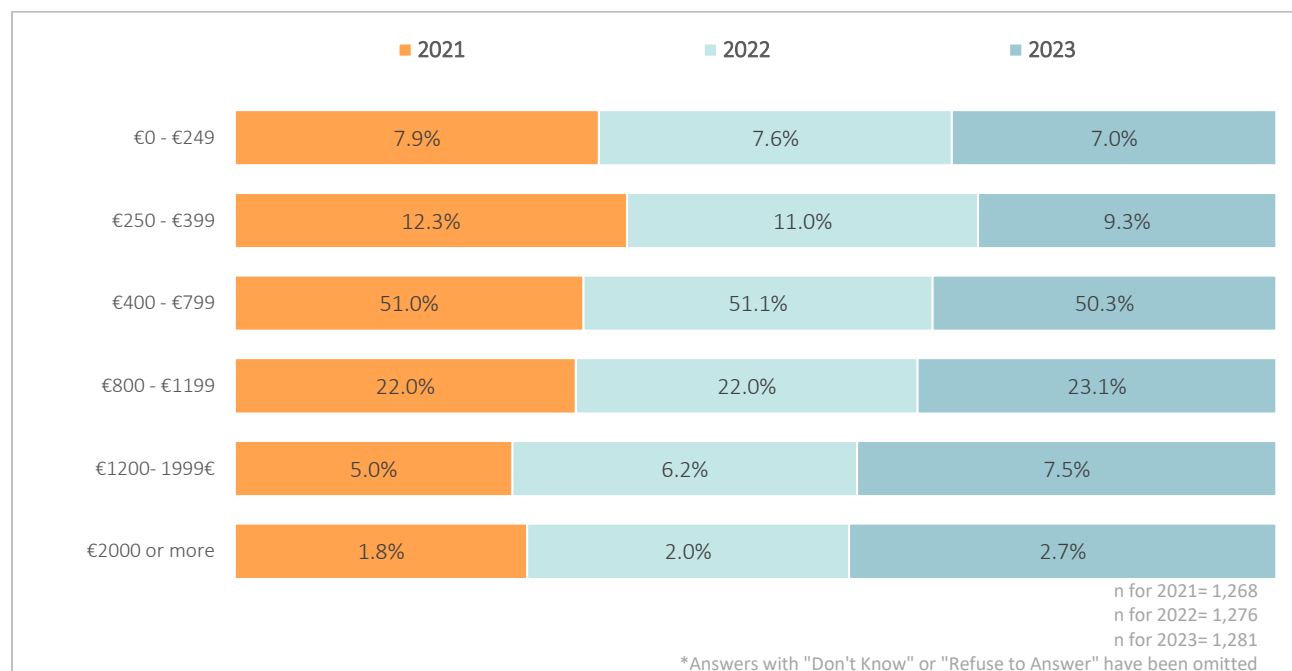
n=1,500



Lack of job opportunities was the most common reason reported for unemployment, at 46.5%. Following this was 29.8% who indicated the cause as looking after children or family members, while pursuing education or training was reported for 8.7% of unemployed individuals.

Regarding nominal after-tax income of households, the findings reveal that in 2021, the highest proportion of households fell within the €400-€799 income range, accounting for 43.2% of the responses. This proportion slightly increased to 43.5% in 2022, though fell again to 43.0% in 2023, indicating relative stability in this income bracket. The €800-€1199 income range also remained consistent between 2021 and 2022, from 18.6% to 18.7%, respectively, and then increased to 19.8% in 2023. Conversely, the proportion of households in the lower income brackets decreased slightly over time. In the €0-€249 income range, there was a decline from 6.7% in 2021 to 6.5% in 2022 and further to 6.0% in 2023. Households with income of €250-€399 declined from 10.4% in 2021 to 9.4% in 2022 and 8.0% in 2023. In the higher bracket, the income range of €1200-€1999 experienced a slight increase from 4.2% in 2021 to 5.3% in 2022 but then showed an increase to 6.4% in 2023. These findings suggest that most households maintained their income levels within certain ranges, with a slight shift towards higher income brackets in 2023 compared to the previous years.

Figure 10. After-tax Income of Households: 2021, 2022, and 2023



In terms of ethnic background, most K-Albanians fell in the €400-€799 range for the three years (42.6%, 43.2%, and 43.3% for 2023, 2022, and 2021 respectively). The same was observed for the K-Serbian community (34.9% in 2023) and the K-Roma, K-Ashkali, K-Egyptian communities (47.3% in 2023).

Table 10. After-tax Income of Household by Ethnicity for 2023

	K-Albanians	K-Serbs	K-Roma, K-Ashkali, K-Egyptians
€0 - €249	7.6%	3.5%	20.6%
€250 - €399	9.1%	16.3%	13.7%
€400 - €799	50.5%	36.4%	47.9%
€800 - €1199	23.3%	24.1%	13.3%
€1200- 1999€	7.1%	14.3%	2.6%
€2000 or more	2.5%	5.4%	2.0%
Don't know/Refuse	7.6%	3.5%	20.6%
Total	100.0%	100.0%	100.0%
Number of Observations (with Don't Know/Refuse)	1,012	147	146

to omitted)	Answer			
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Key findings of this section are the following:

- ✓ As expected, the majority of households relied on salary/wages as their primary source of income.
- ✓ Institutional Payments were reported as a source of income by 20.7% of respondents and remittances by 19.1%.
- ✓ Pensions emerged as the most common form of institutional transfers, followed by conflict-related pensions and disability pensions/compensations.
- ✓ Unemployment was prevalent among the sample: 73.2% of respondents reported having unemployed individuals within the surveyed households, with a significant majority reporting long-term unemployment (94%).
- ✓ Lack of job opportunities (46.5%) and caregiving responsibilities (29.8%) were key reasons for unemployment.
- ✓ The nominal after-tax income of households remained relatively stable over the years, with the highest proportion falling within the €400-€799 income range.

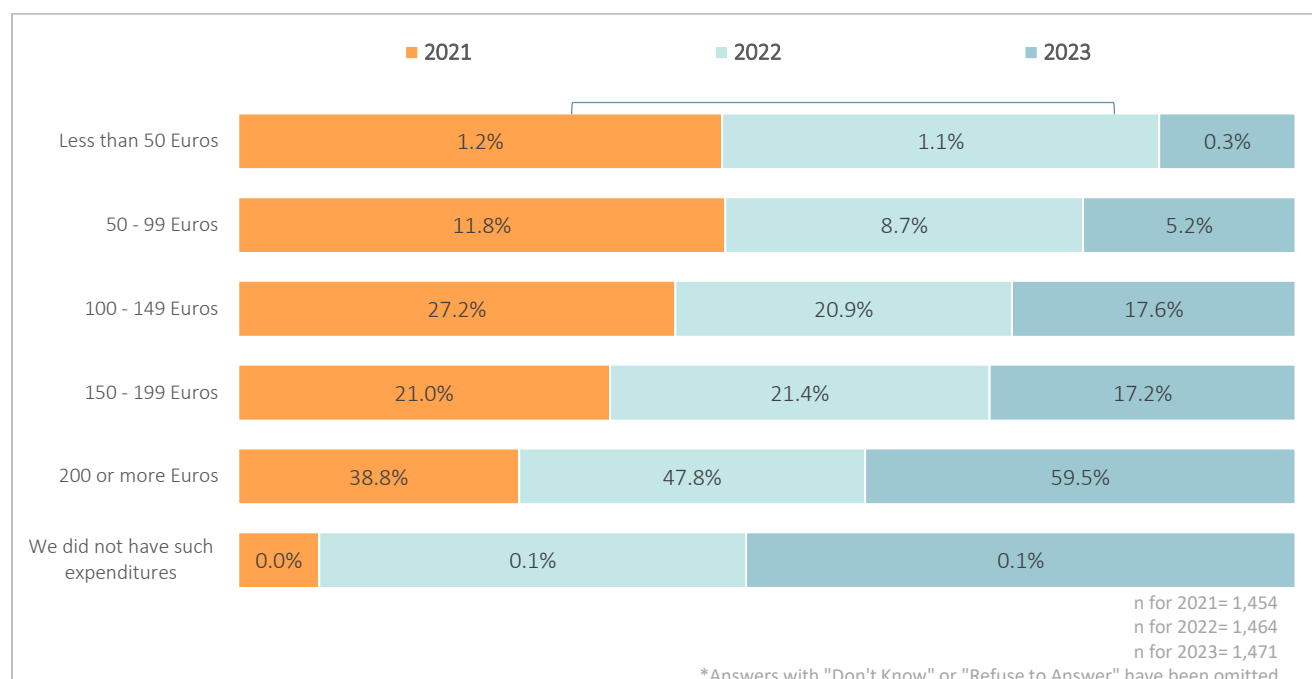
Household Expenditure

This section discusses findings related to the composition of household expenditures from 2021 to 2023. Generally, questions here focused on understanding spending on groceries, mortgage/rent, utilities (electricity, gas, water), transportation (gas, car payments, public transport), entertainment (streaming services, dining out, leisure activities), electronic devices (smartphones, computers, other electronics), education and/or training opportunities, and healthcare services (doctor visits, medication, healthcare).

Survey findings show that there has been an increase in grocery expenditures from one year to another. While in 2021, 38.8% of households spent 200 or more Euros on groceries, the share increased to 47.8% in 2022 and up to 59.5% in 2023. Given that consumption preferences do not significantly change in such a short period and those wages²³ (including minimum wage) did not increase significantly, the increase can be mainly attributed to price increases over the observed period, particularly in 2023. Conversely, the proportion of households spending below 200 EUR decreased over time (Figure below).

²³ According to the latest Wage report for Kosovo(KAS, 2023), in 2021 average net wage in Kosovo was 432 Eur and it was 446 Eur in 2022 (a 3.2% increase): <https://ask.rks-gov.net/media/7536/niveli-i-pagave-ne-kosove-2022.pdf>

Figure 11. Average Monthly Expenditures on Groceries: Trends from 2021 to 2023



The spending patterns across different ethnicities reveal interesting insights. Among K-Albanian households, a larger proportion spends in the upper levels, particularly on groceries. In 2021, 39.4% of K-Albanian households reported spending 200 EUR or more on groceries. This percentage increased to 48.9% in 2022 and 60.2% in 2023. For the K-Serb community, there was also a noticeable rise in the rate of households spending 200 EUR or more on groceries. In 2021, it stood at 30.4%, which increased to 34.1% in 2022 and significantly grew to 52% in 2023. On the other hand, the spending trends for the K-Roma, K-Ashkali, and K-Egyptian communities remained consistent in the 150-199 EUR category for groceries. In 2021, 13.4% of households reported spending within this range, only increasing slightly to 16% for 2022 and 2023.

Table 11. Average Monthly Expenditures on Groceries by Ethnicity: Trends from 2021 to 2023

	2021		
	K-Albanians	K-Serbs	K-Roma, K-Ashkali, K-Egyptians
Less than 50 Euros	0.4%	1.3%	22.9%
50 - 99 Euros	11.1%	29.0%	23.4%
100 - 149 Euros	28.0%	19.5%	21.1%
150 - 199 Euros	21.3%	19.7%	13.4%
200 or more Euros	39.4%	30.4%	17.8%
We did not have such expenditures (N/A)	0.0%	0.0%	23.6%

Total number of observations after omitting DK/refuse to answer	1,166	140	150
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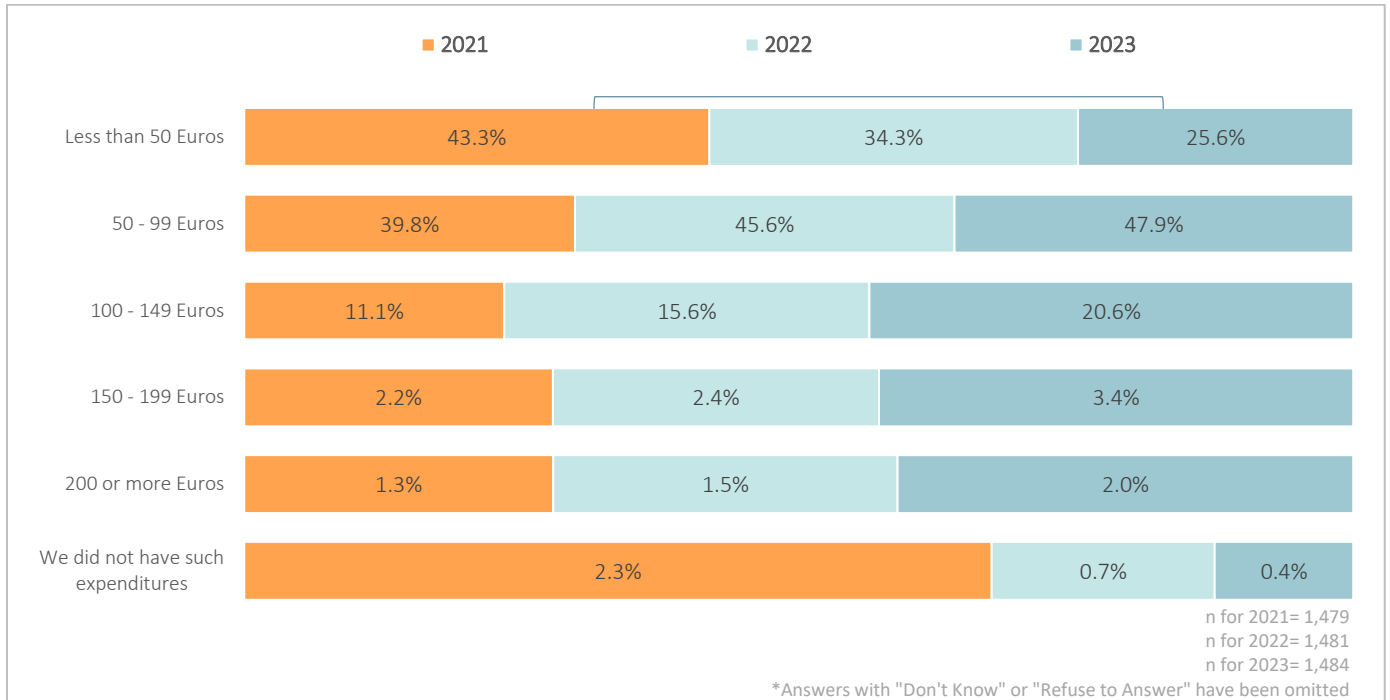
	2022		
	K-Albanians	K-Serbs	K-Roma, K-Ashkali, K-Egyptians
Less than 50 Euros	0.4%	0.6%	21%
50 - 99 Euros	7.3%	27.6%	18%
100 - 149 Euros	21.6%	18.3%	20%
150 - 199 Euros	21.7%	19.3%	16%
200 or more Euros	48.9%	34.1%	24%
We did not have such expenditures (N/A)	0.1%	0.0%	1%
Total number of observations after omitting DK/refuse to answer	1,176	143	149

	2023		
	K-Albanians	K-Serbs	K-Roma, K-Ashkali, K-Egyptians
Less than 50 Euros	0.2%	0.0%	5.2%
50 - 99 Euros	4.2%	11.6%	26.4%
100 - 149 Euros	17.6%	25.1%	17.2%
150 - 199 Euros	17.8%	10.6%	13.1%
200 or more Euros	60.2%	52.0%	37.3%
We did not have such expenditures (N/A)	0.1%	0.7%	0.7%
Total number of observations after omitting DK/Refuse to answer	1,176	143	150

Looking at average monthly expenditures on rent or mortgage, over 90% of households reported not having such expenses, a share which slightly increased over time. This high rate corresponds with the fact that most residents of Kosovo own the property on which they live.

The comparison of data from 2021 to 2023 for average monthly expenditure on utilities reveals shifts in household spending patterns. There was an increase in the share of households with average monthly consumption for utilities above 50 Euros per month, whereas spending below 50 Euros saw a drop. This change reflects the change in energy prices in 2022 and 2023, which accounts for the largest share of utility costs.

Figure 12. Average Monthly Expenditures on Utilities: Trends from 2021 to 2023



Similar patterns are observed for all ethnicities: a decline in the percentage of households spending less than 50 Euros and an increased share spending 50 or more Euros per month.

Table 12. Average Monthly Expenditure on Utilities by Ethnic Background: Trends from 2021 to 2023

	2021		
	K-Albanians	K-Serbs	K-Roma, K-Ashkali, K-Egyptians
Less than 50 Euros	43.5%	47.0%	40.7%
50 - 99 Euros	40.7%	21.3%	41.2%
100 - 149 Euros	10.2%	24.7%	11.6%
150 - 199 Euros	2.2%	4.3%	0.8%
200 or more Euros	1.4%	0.0%	2.1%
We did not have such expenditures (N/A)	2.1%	2.7%	3.5%
Total number of observations after omitting DK/Refuse to answer	1,188	144	142

	2022		
	K-Albanians	K-Serbs	K-Roma, K-Ashkali, K-Egyptians
Less than 50 Euros	34.5%	33.5%	35.8%
50 - 99 Euros	46.0%	35.0%	44.7%
100 - 149 Euros	15.1%	25.8%	15.2%
150 - 199 Euros	2.3%	4.9%	0.8%
200 or more Euros	1.6%	0.0%	2.1%
We did not have such expenditures (N/A)	0.7%	0.7%	1.4%
Total number of observations after omitting DK/Refuse to answer	1,188	145	142

	2023		
	K-Albanians	K-Serbs	K-Roma, K-Ashkali, K-Egyptians
Less than 50 Euros	26.6%	19.6%	19.4%
50 - 99 Euros	47.3%	41.6%	53.0%
100 - 149 Euros	20.3%	27.9%	23.2%
150 - 199 Euros	3.2%	7.6%	2.2%
200 or more Euros	2.2%	0.0%	0.8%
We did not have such expenditures (N/A)	0.4%	3.3%	1.4%
Total number of observations after omitting DK/Refuse to answer	1,192	150	145

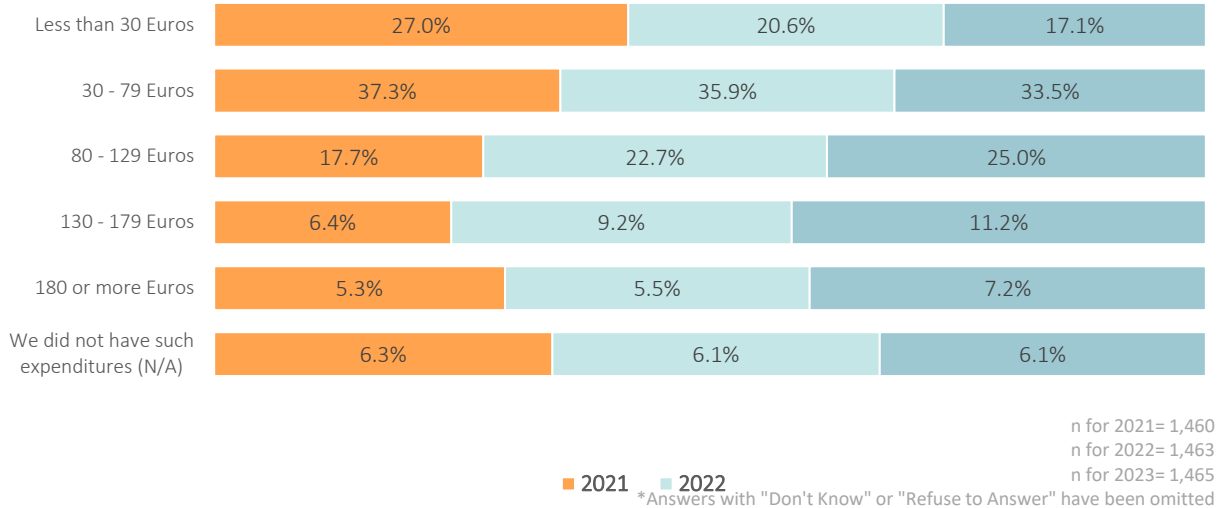
In terms of settlement breakdown, the table below presents the expenditure in utilities from 2021 to 2023. Similar trends are observed, with a decreasing percentage of families spending less than 50 Euros over the years.

Table 13. Average Monthly Expenditure on Utilities by Settlement: Trends from 2021 to 2023

Amount in EUROS	Urban 2021	Rural 2021	Urban 2022	Rural 2022	Urban 2023	Rural 2023
Less than 50 EUR	50.2%	32.0%	39.6%	25.7%	28.9%	20.3%
50 – 99 EUR	36.4%	45.2%	44.3%	47.6%	49.8%	44.8%
100 - 149 EUR	9.1%	14.4%	13.1%	19.5%	17.5%	25.7%
150 – 199EUR	1.4%	3.6%	1.5%	3.8%	2.4%	5.1%
200 EUR or more	0.9%	2.0%	0.6%	2.9%	0.9%	3.7%
We did not have such expenditures (N/A)	2.0%	2.7%	0.8%	0.5%	0.5%	0.3%
Total number of observations after omitting DK/Refuse to answer	610	867	610	854	611	874

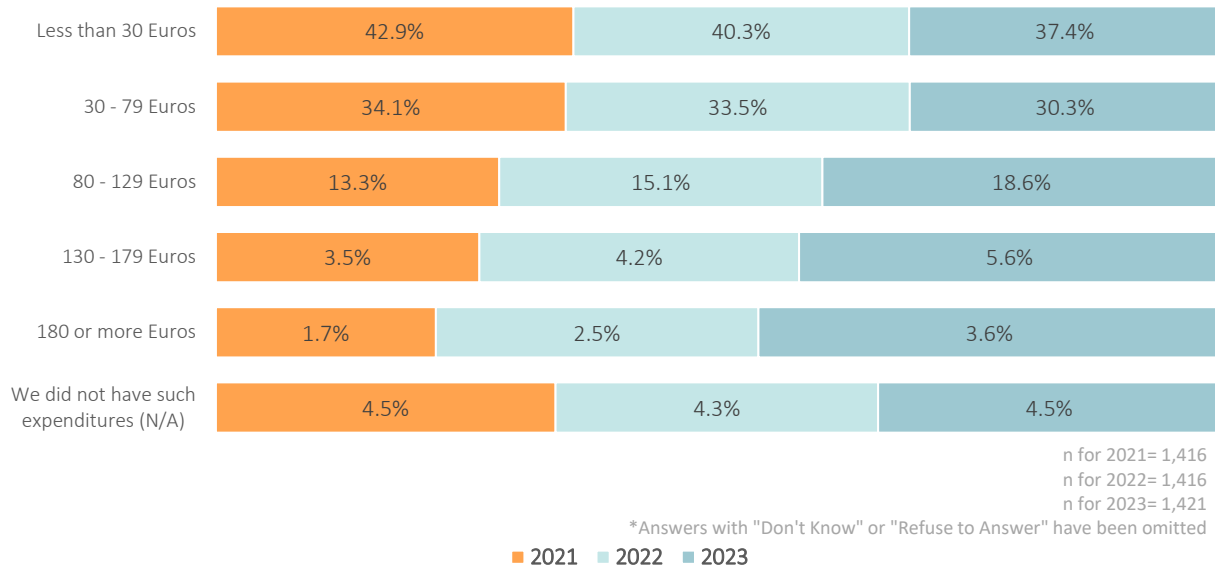
The analysis of data from 2021 to 2023 regarding average monthly expenditure on transportation reveals a consistent decrease in the percentage of households spending less than 30 EUR over the three-year period. In 2021, 27% of households fell into this expenditure range, which declined to 20.6% in 2022 and further decreased to 17.1% in 2023. Conversely, there is an upward trend in the proportion of households in higher expenditure ranges. The percentage of households in the 30-79 EUR range remained relatively stable from 2021 to 2022 but decreased to 33.5% in 2023. Meanwhile, the percentage of households in the 80-129 EUR range increased from 17.7% in 2021 to 22.7% in 2022 and further to 25% in 2023. Similarly, the percentage of households in the 130-179 EUR range and the 180 EUR or more range consistently grew over the years. This finding is also consistent with increased prices of gas derivatives in 2022 and 2023.

Figure 13. Average Monthly Expenditures on Transportation: Trends from 2021 to 2023



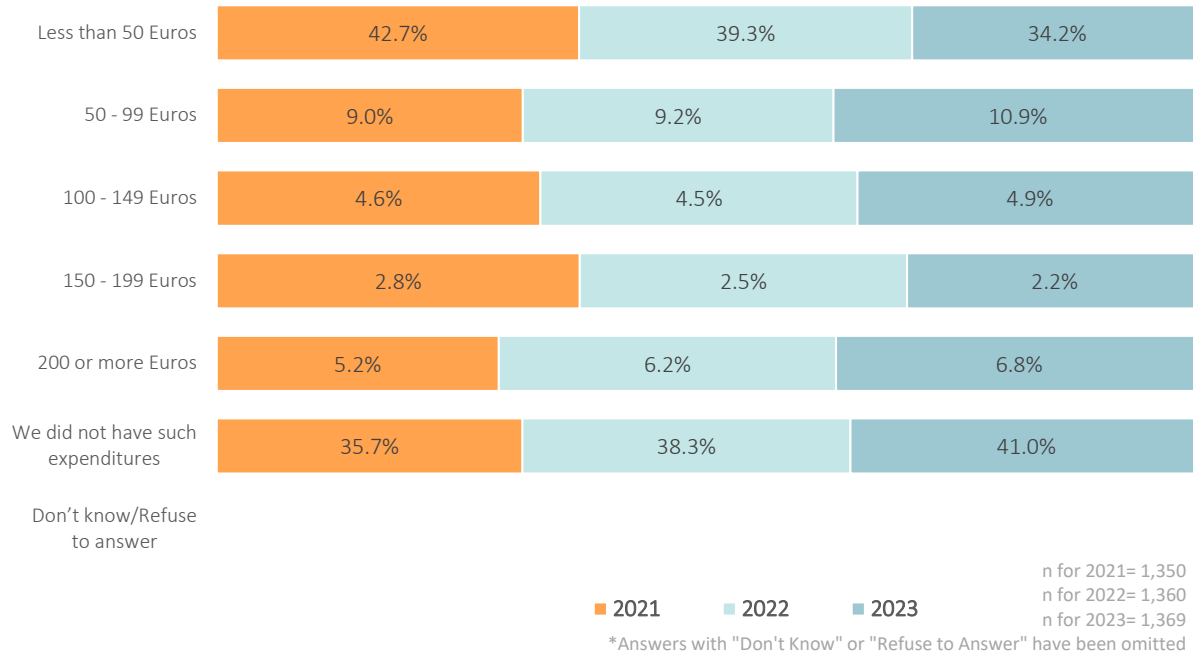
When it comes to spending on entertainment, survey findings suggest that there has been an increasing percentage of household spending in the higher ranges from 2021 to 2023. Additionally, in 2021, 42.9% of households claimed to have spent less than 30 Euros on entertainment; however, this percentage fell to 37.4% in 2023. Similarly, while in 2021, 13.3% claimed they spent between 80-129 Euros on entertainment, this percentage increased to 18.6% in 2023.

Figure 14. Average Monthly Expenditures on Entertainment: Trends from 2021 to 2023



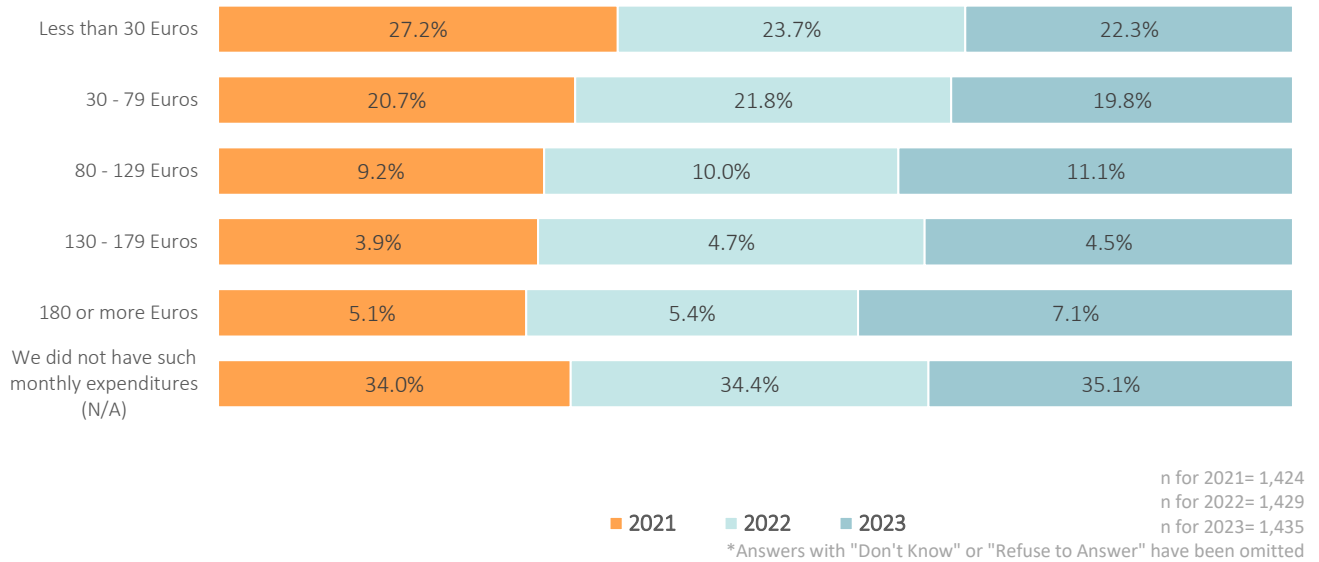
Regarding trends in expenditures for electronic devices, the percentage of households that did not purchase such devices increased from 35.7% in 2021 to 41% in 2023. This increase may be attributed to rising prices for other basic needs, as mentioned earlier for groceries and utility costs. The percentage of households spending between 50-99 EUR and 200 EUR or more saw slight increases, while for the other spending brackets, the percentage of households declined.

Figure 15. Average Monthly Expenditures on Electronic Devices: Trends from 2021 to 2023



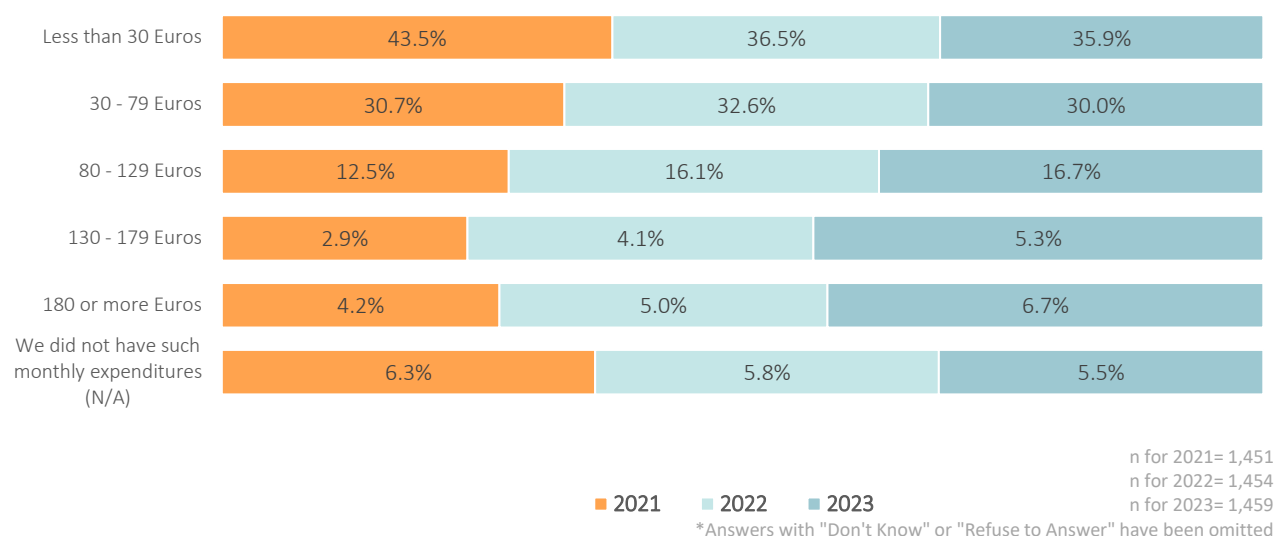
Regarding spending on education or training opportunities, the percentage of households with no expenditures for education has seen a slight increase over time, rising from 34% in 2021 to 34.4% in 2022 and further to 35.1% in 2023. Across nearly all spending brackets, the percentage of households increased, primarily due to the price hikes over the three consecutive years.

Figure 16. Average Monthly Expenditures on Education or Training: Trends from 2021 to 2023



Finally, in terms of household expenditures on health services, the findings reveal an increasing share of households spending at higher levels over the observed period. There is a gradual uptick in the percentage of households in higher expenditure ranges. The proportion of households spending 180 EUR or more on healthcare services consistently rose, increasing from 4.2% in 2021 to 5% in 2022 and further to 6.7% in 2023. Similarly, the percentage of households in the expenditure range of 80 to 129 EUR increased from 12.5% in 2021 to 16.1% in 2022 and further to 16.7% in 2023. Conversely, there was a declining share of households spending less than 30 EUR, dropping from 43.5% in 2021 to 35.9% in 2023. On the other hand, the percentage of households in higher expenditure ranges gradually increased.

Figure 17. Average Monthly Expenditures on Healthcare Services: Trends from 2021 to 2023



The analysis of expenditure patterns from 2021 to 2023 reveals several key findings. Across different spending categories, there is a trend towards higher expenditure levels. The proportion of households with lower expenditures has, for the most part, decreased over the years. This trend is evident in the categories of groceries, utilities, transportation, electronic devices, education or training opportunities, and healthcare services.

Although it is not possible to reach a definitive conclusion at this time regarding the negative impact of higher prices on overall household quality of life, certain observations that can be made. For instance, the average individual wage within the sample has increased by 12.4% from 2021 to 2023. However, households that spend more than 200 EUR on groceries have experienced a 20.7% increase in their grocery expenses during the same period. Since groceries are considered essential goods with inelastic demands, this suggests that nominal wages are not rising at a rate comparable to the expenditure level required for necessities. This disparity between income and expenditures directly impacts the quality of life for households by reducing their purchasing power.

Household Perception on How Inflation Increase Affects their Choices and Life Quality

The following sections aim to explore the ways in which inflation has influenced economic decision-making, including shifts in consumption habits, levels of indebtedness, reliance on social assistance and remittances, and its effects on social and mental well-being. Additionally, they discuss the proposals of respondents for necessary institutional measures to address the issue of inflation.

Income and Expenditure Patterns and Changes

Firstly, nearly all respondents (99.5%) claimed to have noticed that the prices of things they buy have gone up in the past year. A significant majority, comprising 91.4%, expressed concerns and worries about the potential negative impact of rising prices on their household's financial situation. Furthermore, 69.2% reported that they had to adjust their spending habits or budget in response to higher prices in the past year. This adjustment indicates a tangible consequence of rising prices, as individuals are forced to make changes to their consumption patterns to adapt to the increased cost of goods and services. Overall, the high level of concern and the need for adjustments in spending habits demonstrate the vulnerability of households to inflationary pressures.

Figure 18. General Perception on Inflation in the Past Year

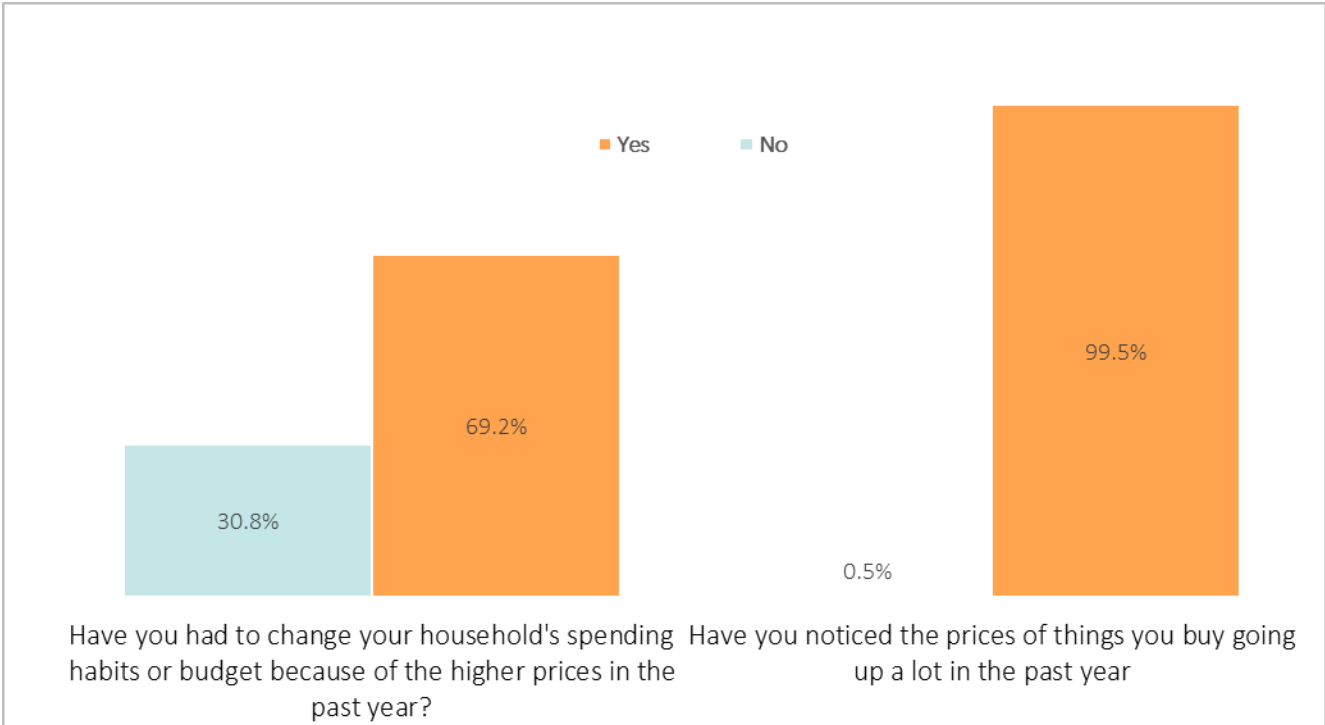
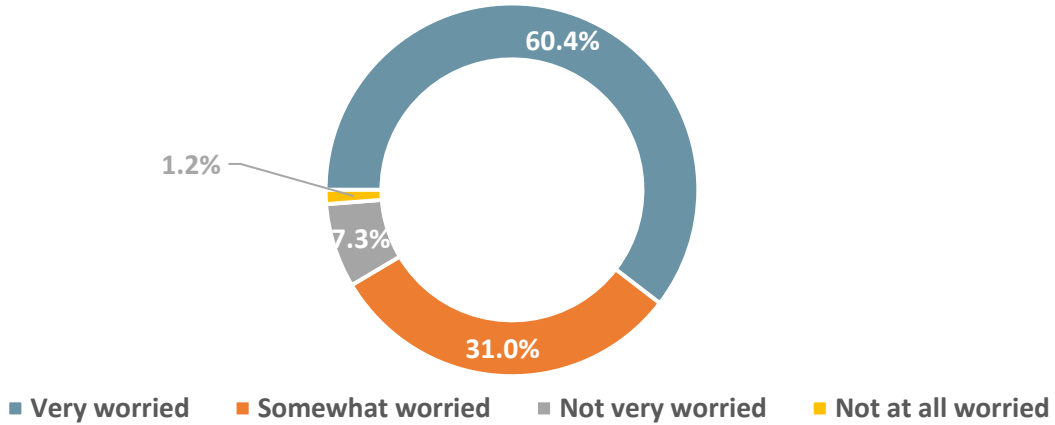


Figure 19. Level of Concern Regarding Rising Prices

n=1,500



By ethnicity, individuals of K-Roma, K-Ashkali, and K-Egyptian backgrounds were more likely to notice changes, express concern, and adjust their spending habits. Specifically, all individuals of K-Roma, K-Ashkali, and K-Egyptian ethnicity, in contrast to 99.6% of K-Albanians and 96.5% of K-Serbs, noticed a significant increase in the prices of things they bought in the past year. Furthermore, 78.8% of those from K-Roma, K-Ashkali, and K-Egyptian backgrounds, compared to 61.4% of K-Albanians and only 37.9% of K-Serbs, expressed being very worried about the rising prices negatively affecting their household's financial situation. Finally, 88.1% of individuals from K-Roma, K-Ashkali, and K-Egyptian backgrounds, in contrast to 70% of K-Albanians and 63.2% of K-Serbs, reported having to change their household's spending habits or budget due to the higher prices.

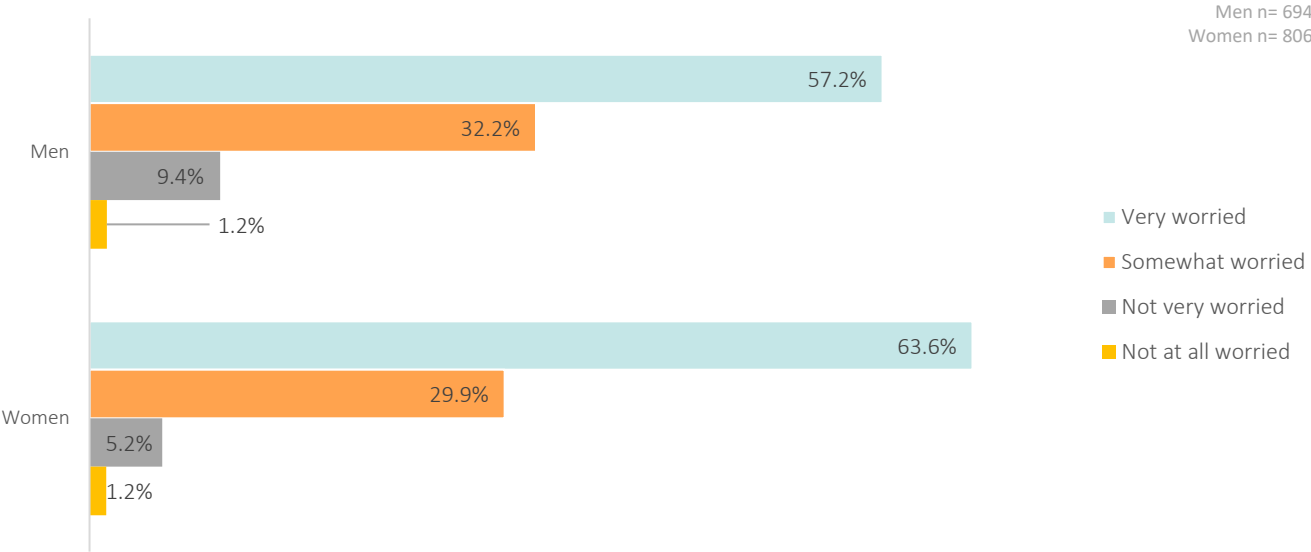
Table 14. General Perception on Inflation in the Past Year by Ethnicity

Have you noticed the prices of things going up in the past year?	K-Albanians	K-Serbs	K-Roma, K-Ashkali, K-Egyptians
Yes	99.6%	96.5%	100.0%
No	0.4%	3.5%	0.0%
Total	100.0%	100.0%	100.0%
Total number of observations	1,200	150	150

How worried are you about the rising prices affecting your household's financial situation in a negative way?	K-Albanians	K-Serbs	K-Roma, K-Ashkali, K-Egyptians
Very worried	61.4%	37.9%	78.8%
Somewhat worried	30.9%	38.7%	18.0%
Not very worried	6.4%	22.0%	3.2%
Not at all worried	1.3%	1.3%	0.0%
Total number of observations	1,200	150	150

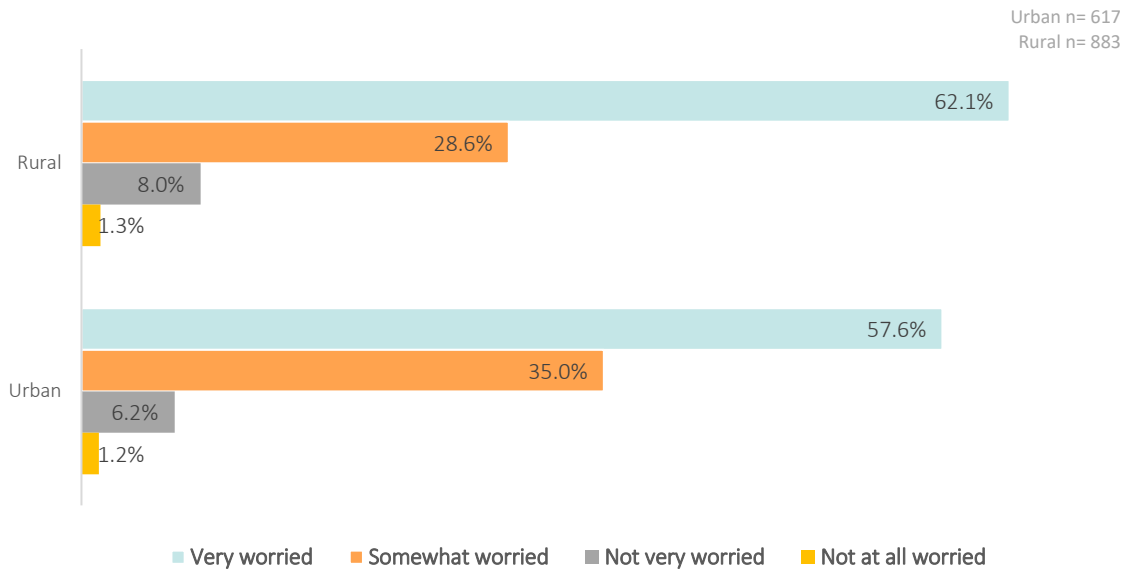
By gender, there were no significant changes regarding the awareness of price changes, but women were more concerned about the rising prices, and a larger proportion reported having to make adjustments to their spending.

Figure 20. Level of Concern Regarding Rising Prices, by Gender



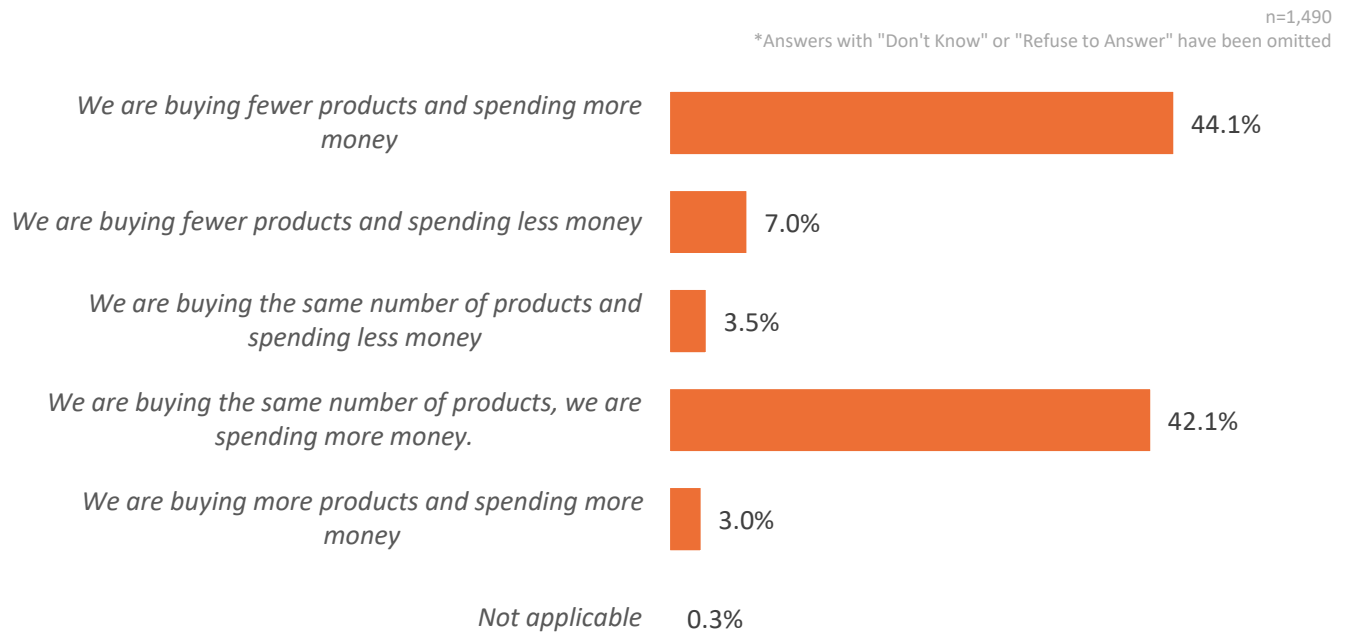
Results are similar when split by settlement type, with both regions showing increased levels of concern.

Figure 21. Level of Concern Regarding Rising Prices, by Settlement Type



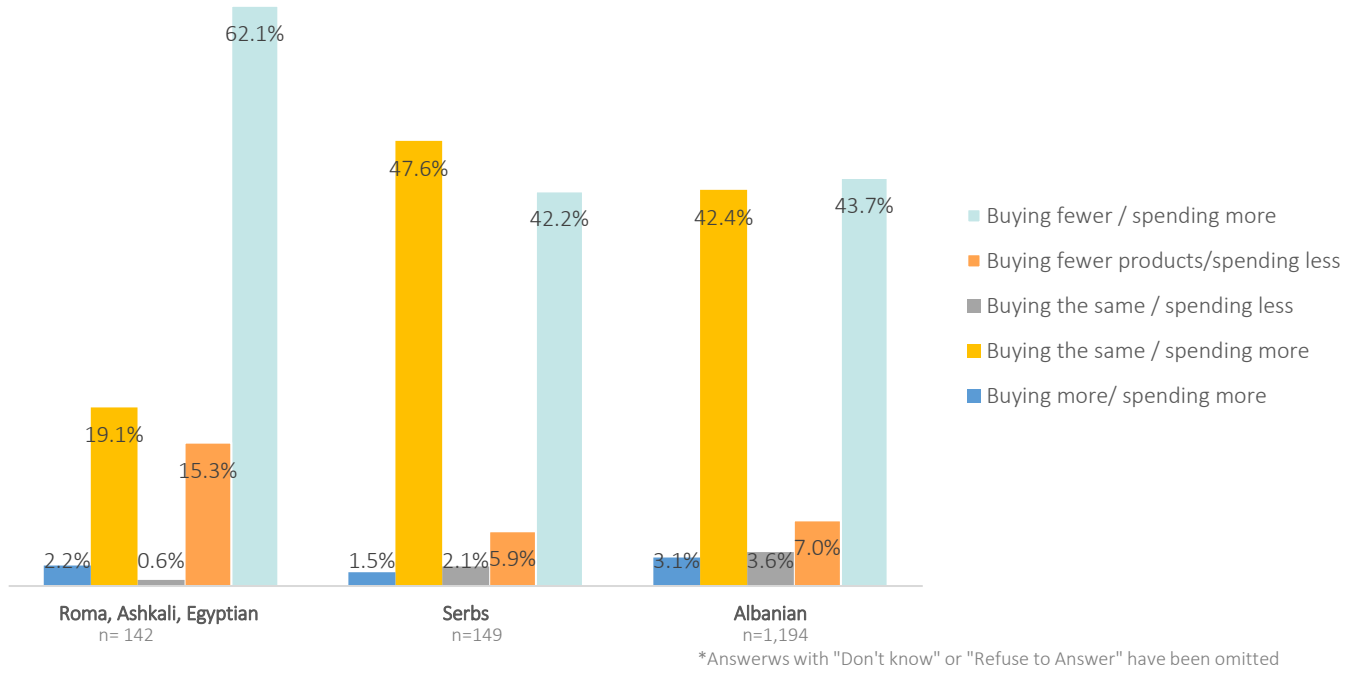
Next, respondents were asked how the increase in the cost of living has impacted their household’s spending habits. 44.1% of respondents reported buying fewer products and spending more money, **indicating a reduction in purchasing power**. Conversely, 7.0% reported buying fewer products and spending less money, suggesting a decrease in both consumption and expenditure. Additionally, 3.5% reported buying the same number of products but spending less money, indicating a need for budgetary adjustments. On the other hand, **42.1% reported buying the same number of products but spending more money, indicating a rise in prices**. Only 3.0% reported buying more products and spending more money, suggesting an increase in consumption.

Figure 22. Inflation and its Impacts on Cost of Living



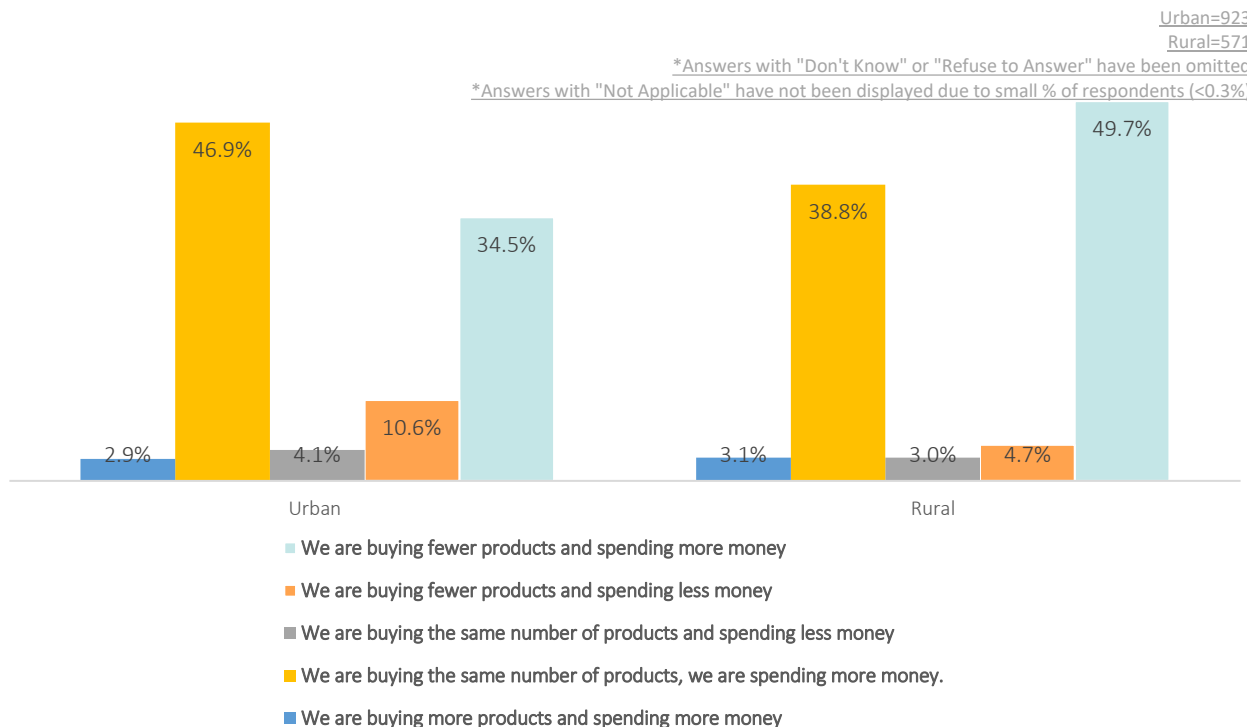
The K-Roma, K-Ashkali, and K-Egyptian communities demonstrated a more pronounced impact, with 62.1% reporting buying fewer products and spending more money, compared to 43.7% among K-Albanians and 42.2% for K-Serbs.

Figure 23. Inflation and its Impacts on Cost of Living, by Ethnicity



The survey data highlights the contrasting impact of inflation on households living in rural and urban areas. It is evident that rural households are experiencing a more pronounced effect, with 49.7% of respondents stated that they are purchasing fewer products but spending more money. In contrast, urban households are relatively less affected, with 34.5% of them reporting similar changes in their spending patterns.

Figure 24. Inflation and its Impacts on Cost of Living, by Settlement Type



Respondents were also asked about specific products they consume and how rising in prices have affected consumer behavior regarding various expenditure categories from 2021 to 2023. The key highlights are:

1. **Groceries:** The majority of respondents (50%) reported buying the same amount of groceries but spending more money, **indicating rising prices and increased expenditure.** Additionally, 34.4% reported buying fewer products and spending more money, suggesting a reduction in their purchasing power.
2. **Rent or Mortgage:** A significant percentage (76%) indicated "Not applicable" to this category, suggesting that the question did not apply to their situation, mostly because **they likely own the house, they live in.** Among the applicable responses (n=360 for this question), 11.1% reported buying fewer products and spending less money on rent or mortgage, while 8.7% reported buying the same number of products but spending more money.
3. **Utilities:** A total of 45% reported **consuming the same quantity of utilities but spending more money, indicating increased costs.** Meanwhile, 32% reported buying fewer products and spending more money, reflecting a decrease in consumption but higher expenses.

4. **Entertainment:** A total of 38% reported buying the same number of entertainment products/services but spending more money, **indicating rising prices**. Additionally, 37% reported buying fewer products and spending more money, suggesting a reduction in spending on entertainment.
5. **Electronic Devices:** Almost a third (30%) reported buying the **same number of electronic devices but spending more money, indicating price increases**. Meanwhile, 31% reported buying fewer products and spending more money, suggesting a decrease in consumption in this category.
6. **Education:** About a third (32%) reported purchasing **the same number of educational products/services but spending more money**, indicating higher costs. Additionally, 23% reported buying fewer products and spending more money on education.
7. **Healthcare:** Half of the respondents (50%) reported buying **the same number of healthcare products but spending more money**, indicating increased healthcare costs. Meanwhile, 34% reported buying fewer products and spending more money, reflecting a decrease in healthcare consumption but higher expenses.

Table 15. Spending Patterns Across Categories

	Groceries	Rent or mortgage	Utilities	Entertainment	Electronic Devices	Education	Health
Buying fewer products and spending more	34%	11% (48% of relevant observations)	32%	37%	31%	23%	34%
Buying fewer products and spending less	6%	1% (5% of relevant observations)	10%	7%	8%	6%	6%
Buying the same number of products and spending less	3%	1% (5% of relevant observations)	6%	7%	6%	4%	3%
Buying the same number of products and spending more	50%	9% (37% of relevant observations)	45%	38%	30%	32%	50%
Buying more products and spending more	4%	1% (4% of relevant observations)	4%	5%	4%	5%	4%
Buying more products and spending less	0%	0% (1% of relevant observations)	0%	0%	0%	0%	0%
Not applicable	1%	76%	2%	5%	21%	29%	1%

Total Number of Observations (Don't know/Refuse to answer have been omitted)	1,494	1,479 (360 claimed to have rent/mortgage expenses for this question)	1,434	1,443	1,448	1,452	1,465
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In terms of price increases and expenses across categories, specifically during the period of 2021 to 2023, regardless of their consumption patterns, the key findings are as follows:

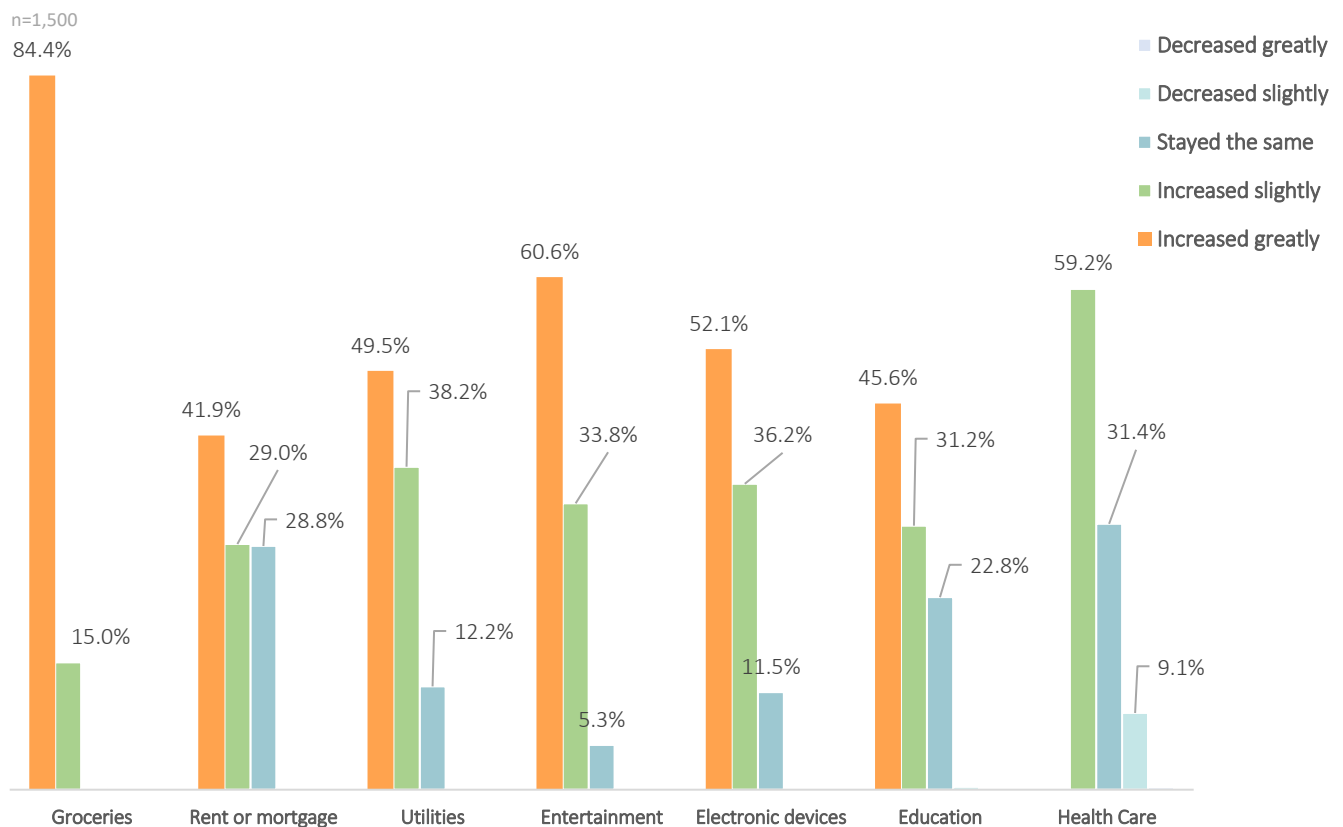
1. **Groceries:** The majority of respondents (84.4%) reported a significant increase in the prices of groceries during this period, indicating a substantial impact of inflation on food costs. A smaller percentage (15.0%) reported a slight increase in grocery prices. In terms of expenses, the **overwhelming majority (92.1%) reported a significant increase in their grocery expenses, reflecting the impact of rising food prices.** A smaller percentage (6.8%) reported a slight increase.
2. **Rent or Mortgage:** Just above 40% (41.9%) of the entire sample reported a **significant increase in the prices of rent or mortgage**, suggesting a rise in housing costs/rental expenses. Additionally, 29.0% reported a slight increase in prices.
3. **Utilities:** Nearly half of respondents (49.5%) indicated a significant **increase in utility prices, signifying higher costs for essential services.** A smaller percentage (12.2%) reported that prices remained the same. In terms of expenses, more than half (56.7%) **reported a significant increase in their utility expenses, highlighting the rising costs of essential services.** Meanwhile, 27.3% reported a slight increase.
4. **Entertainment:** A substantial share of respondents (60.6%) reported a **significant increase in prices for entertainment services, indicating higher costs for leisure activities.** Meanwhile, 33.8% reported a slight increase in prices. Regarding expenses, two thirds (66.8%) **reported a significant increase in their entertainment expenses**, signifying higher costs for leisure activities. Additionally, 20.5% reported a slight increase.
5. **Electronic Devices:** More than half of the respondents (52.1%) **reported a significant increase in prices for electronic devices, suggesting rising costs in this category.** Additionally, 36.2% reported a slight increase in prices. In terms of expenses, half of respondents (51.1%) **reported a significant increase in their expenses for electronic devices**, indicating rising costs in this category. Additionally, 25.8% reported a slight increase.
6. **Education:** A total of **45.6% reported a significant increase in education prices**, indicating higher costs for educational products/services. Meanwhile, 31.2% reported a slight increase in prices. In terms of expenses, **41.4% reported a significant increase in their expenses for**

education services, indicating higher costs for educational purposes. Meanwhile, 27.1% reported a slight increase.

7. **Healthcare:** Nearly 60% (59.2%) **reported a significant increase in healthcare prices**, suggesting higher costs for medical services and treatments. Meanwhile, 31.4% reported a slight increase in prices. In terms of expenses, two thirds (**66.5%**) **reported a significant increase in their expenses for healthcare services**, reflecting higher costs in medical treatments and services. Additionally, 22.6% reported a slight increase.

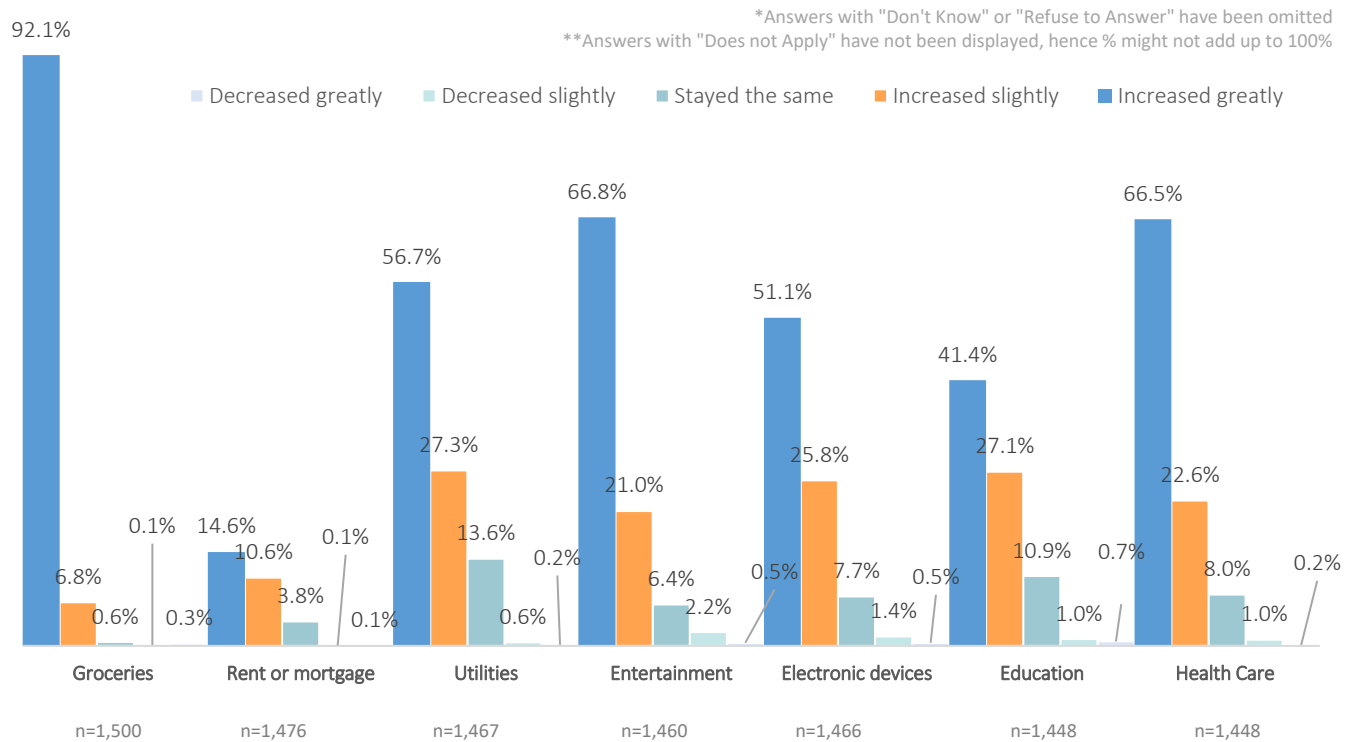
These findings highlight the **widespread agreement among respondents that prices have significantly increased across all categories**, including groceries, housing, utilities, entertainment, electronic devices, education, and healthcare. This is in line with official statistics on prices reported by the Kosovo Agency of Statistics for the covered period.²⁴

Figure 25. Price Increases across Categories



²⁴ <https://ask.rks-gov.net/sq/agjencia-e-statistikave-te-kosoves/ekonomi/cmimet>

Figure 26. Expenses Across Categories

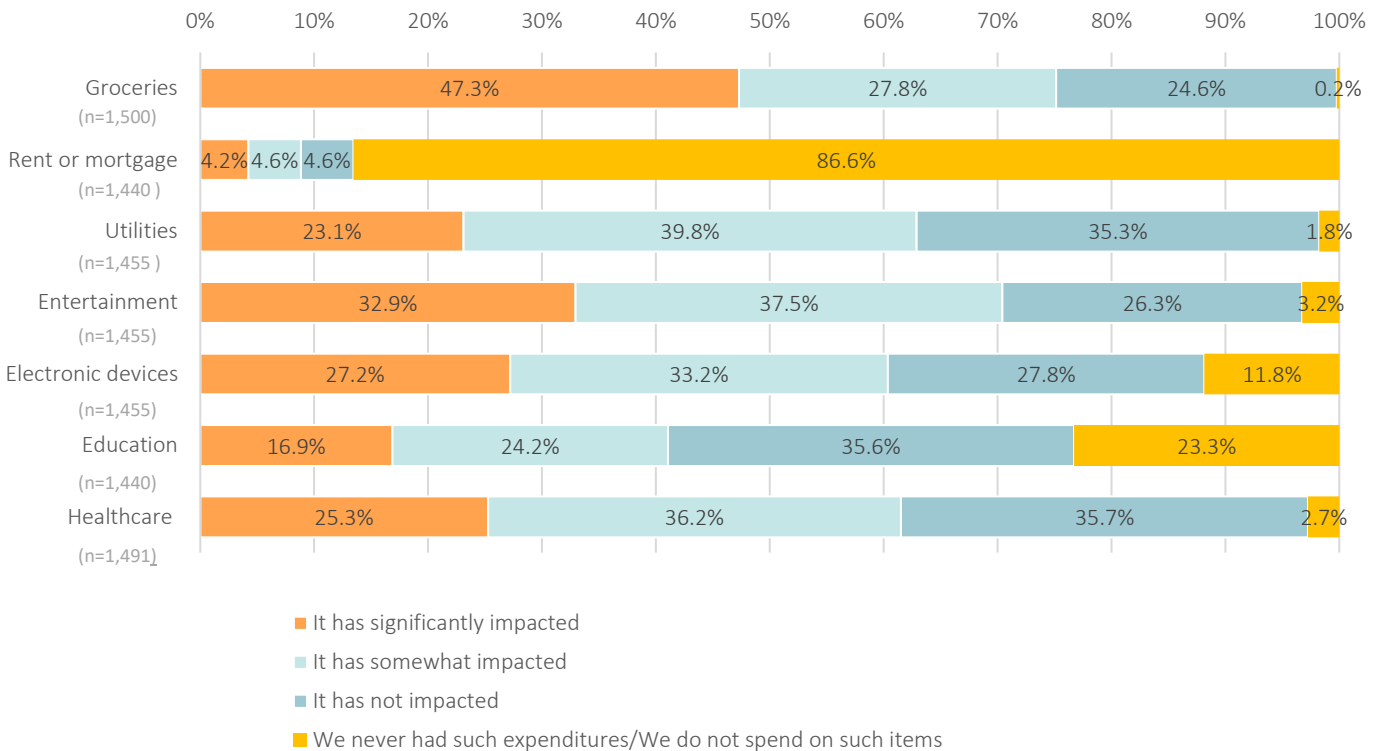


The key findings related to the **impact of inflation on the ability** to purchase/access various goods and services are as follows:

1. **Groceries:** Half (47.3%) reported that inflation has significantly impacted their ability to purchase groceries, highlighting the increased cost of essential food items. Furthermore, 27.9% stated that inflation has somewhat impacted their ability in this regard.
2. **Rent/Mortgage:** The majority (86.6%) mentioned that they never had such expenditures or do not spend on rent/mortgage. However, 4.6% reported some level of impact. Out of the relevant sample who reported having rent/mortgage expenses, 24% reported that inflation has significantly impacted their ability to purchase goods and services.
3. **Utilities:** A notable percentage (39.8%) reported that inflation has somewhat impacted their ability to pay for utilities.
4. **Entertainment Services:** Out of the total sample, 37.5% stated that inflation has somewhat impacted, and 32.9% mentioned that their ability to pay for entertainment has been significantly impacted.

5. **Electronic Devices:** One third (33.2%) stated that inflation has somewhat impacted, and 27.2% reported a significant impact on **their ability to purchase electronic devices, suggesting higher prices in this category.**
6. **Educational Services:** Out of the total respondents, 24.2% reported a somewhat impact, and 16.9% reported a significant impact on **their ability to afford educational services.**
7. **Healthcare Services:** Out of all observations, 25.3% reported a significant impact, highlighting the rising costs of medical treatments and services, while just above one third (36.2%) **stated that inflation has not impacted their ability to afford healthcare services.**

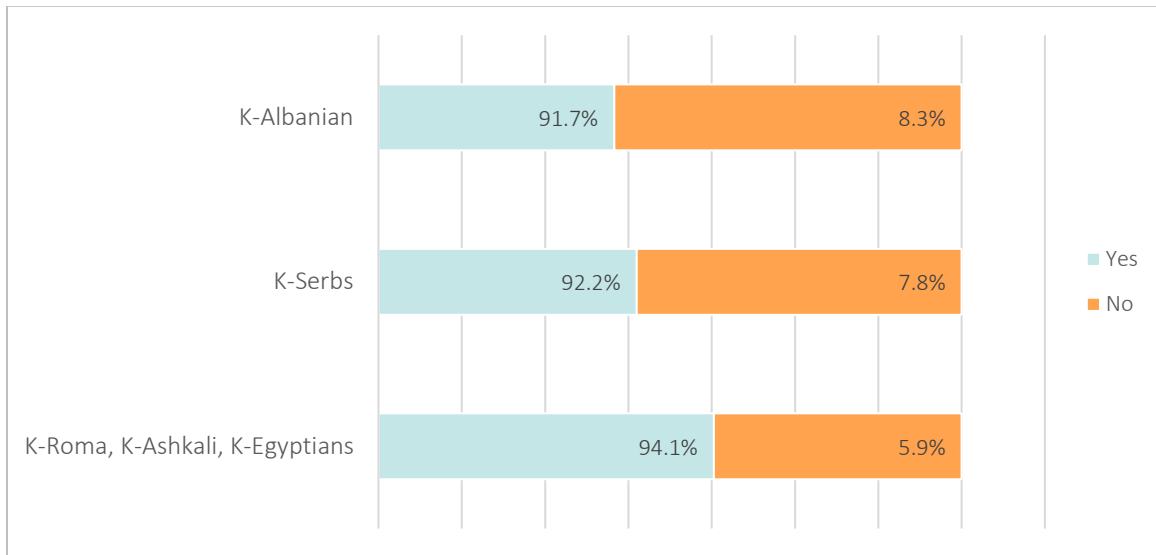
Figure 27. Inflation's Impact on Households' Ability to Purchase Goods Across Categories (with DK/refuse to answer omitted)



In terms of the level of concern, 91.6% expressed worry that prices will continue to rise in the future, which could further negatively impact people's quality of life.

A significant majority (94.1% of K-Roma, K-Ashkali, and K-Egyptian; 92.2% of K-Serbs; and 91.7% of K-Albanians) express concern that prices will continue to rise in the future and have a further negative impact on their quality of life.

Figure 28. Levels of Concern Regarding Price Increases by Ethnicity



Albanian n=1,200
 Serbian n=150
 Roma, Ashkali, Egyptian n=150

A larger share of women (92.6%) is worried about the prices continuing to rise compared to their male counterparts (90.7%).

Figure 29. Levels of Concern Regarding Price Increases by Gender



When respondents were asked about the impact of increased prices on their ability to save, 32.8% perceived that higher prices had a significant impact on their ability to save, while 24.6% stated that they do not save money at all. The ability to save was lower among K-Roma, K-Ashkali, and K-Egyptian community. Additionally, for women, the ability to save is slightly more likely to be impacted (33.5% of women compared to 32.1% of men). These findings indicate that a considerable number of households are experiencing challenges in saving money due to the increase in prices, either significantly or to some extent, while others are not impacted or are unable to save regardless of price changes.

Figure 30. Ability to Save Money Amid Rising Prices

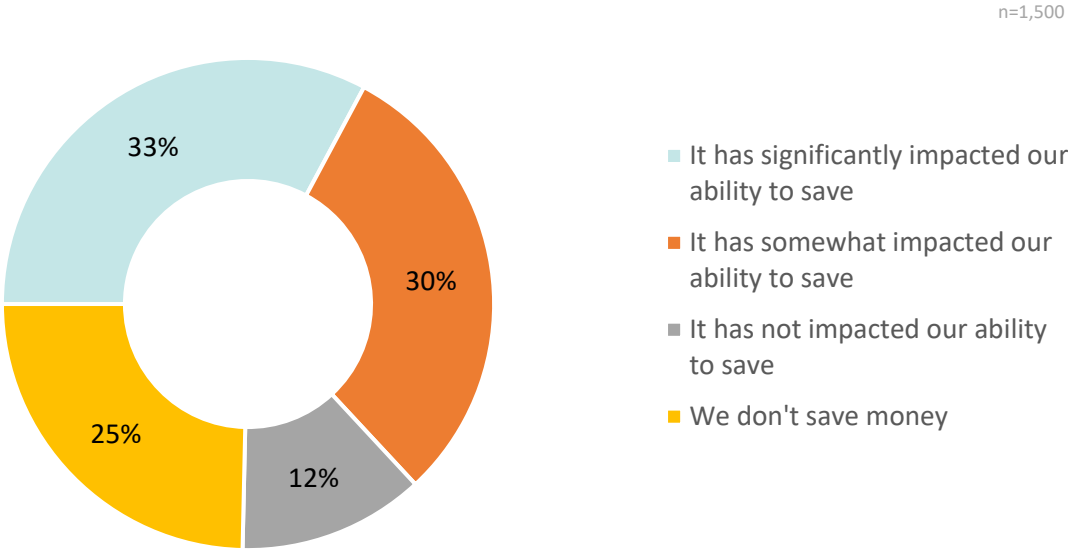


Figure 31. Ability to Save Money Amid Rising Prices, by Ethnicity

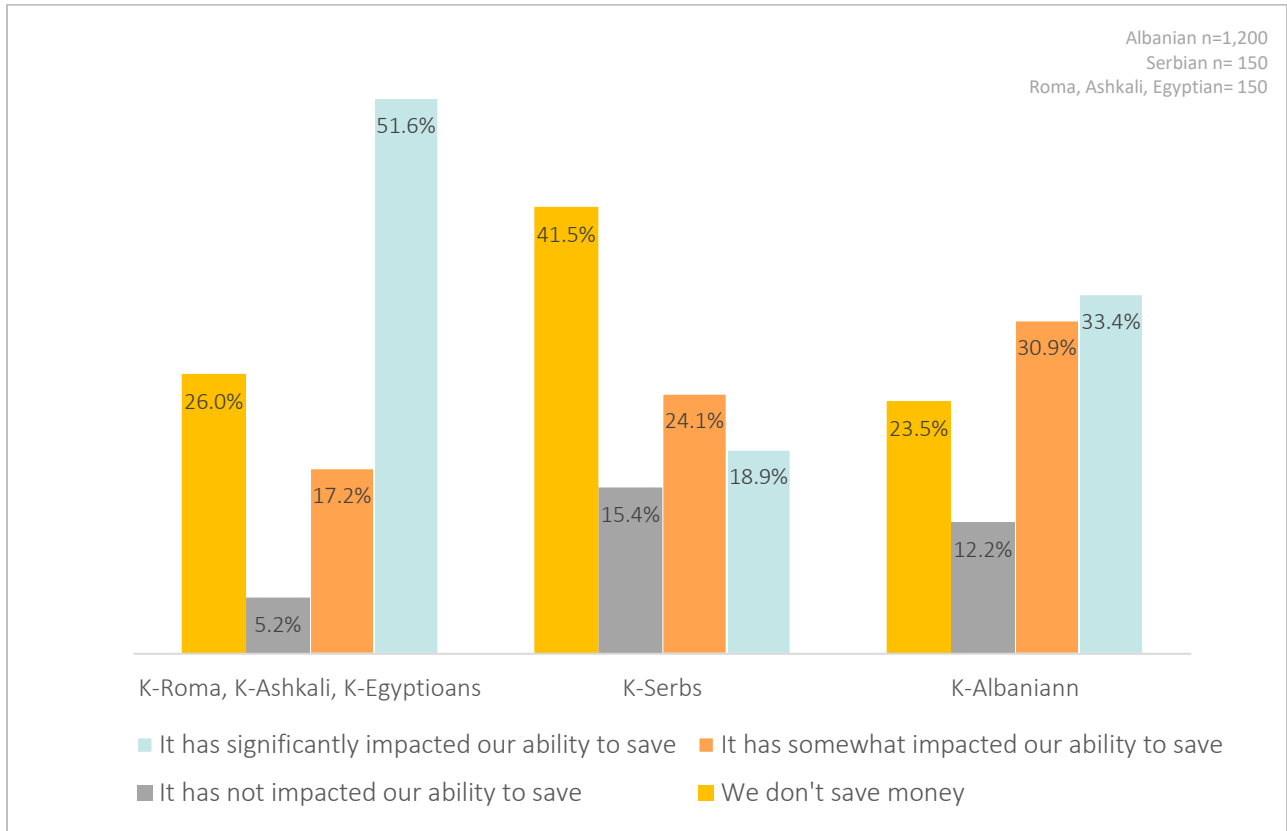
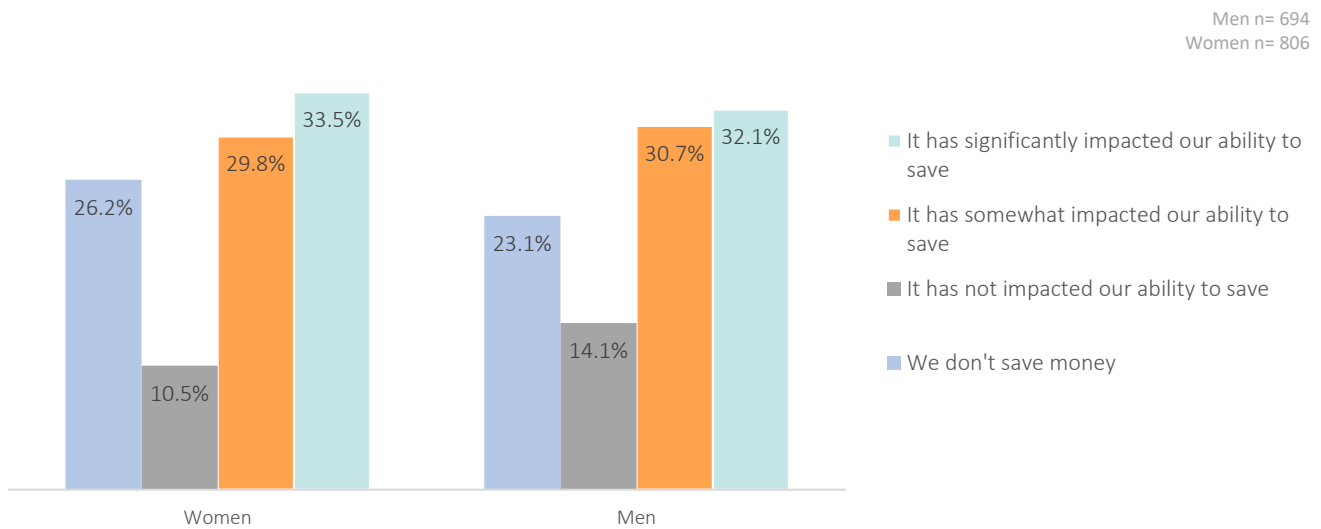


Figure 32. Ability to Save Money Amid Rising Prices, by Gender



In conclusion, the findings indicate that **inflation has significantly altered economic choices and affected households' financial situations**. The majority of respondents have observed price increases and expressed concerns about the negative impact on their finances. **A significant portion of respondents have adjusted their spending habits and budgets in response to higher prices**. The impact of inflation on household spending patterns varied across different categories, leading to reduced purchasing power for groceries, utilities, entertainment services, electronic devices, education, and healthcare. Rent or mortgage costs were less affected overall, but there were still some reports of increased expenses. These findings underscore the vulnerability of households to inflationary pressures and the need for adaptive measures to navigate the changing economic landscape. Additionally, the majority of respondents expressed worry about further price increases and the potential long-term impact on their quality of life. Lastly, most believe that their saving potential has been hindered due to increased prices.

Poverty Line and Sample Data: Comparison of incomes between 2021 and 2023

Based on the collected data, an analysis was conducted to understand how many of the surveyed households fell into poverty between 2021 to 2023, considering a poverty threshold of 1.85 EUR per day.²⁵ It is important to note that 374 households, who declined to disclose their exact monthly income for the years 2023, 2022, and 2021, were excluded from this analysis. The final sample size is therefore 1,126.

To estimate per capita monthly income, we divided the total household income by the number of individuals residing in the household.²⁶ The aim of this report is to understand how many individuals have fallen below the poverty line of 1.85 EUR per day.

To account for inflation, we adjusted the nominal income variable using the Consumer Price Index of Kosovo for three time points: May 2021, May 2022, and May 2023.²⁷ The resulting monthly real income variable was converted into daily averages, and each observation was compared to the poverty threshold. Any observation with a negative value, indicating individuals earning less than 1.85 EUR per day, was retained, and divided by the total sample to determine the percentage of individuals living below the poverty line. This analysis was conducted for all three years, and the percentage change between 2023 and 2021 was calculated.

Table 16. Households falling below poverty.

	2023	2022	2021
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²⁵ EBRD. "Kosovo country diagnostic: Private investment challenges and opportunities" (2022); World Bank and Kosovo Agency of Statistics (2019).

²⁶ Pew Research Center. Adjusting Income for Household Size. Available at: <https://www.pewresearch.org/social-trends/2015/12/09/methodology/>

²⁷ Trading Economics. Kosovo Consumer Price Index (CPI). Available at: <https://tradingeconomics.com/kosovo/consumer-price-index-cpi>

Number of families living below 1.85 EUR/day	181	199	164
Percentage of families living below 1.85 EUR/day	16%	17.6%	14.5%
# of observations considerably poorer between 2021 to 2023	10%		
# of observations considerably poorer between 2021 to 2022	21%		
Total number of observations	1,126		

Based on this analysis, it was determined that 10% of households experienced increased poverty between 2021 and 2023. Additionally, it is worth noting that the number of observations indicating a significant economic decline in 2023 was lower compared to the comparison between 2021 and 2022, where 21% of observations showed a notable decrease.

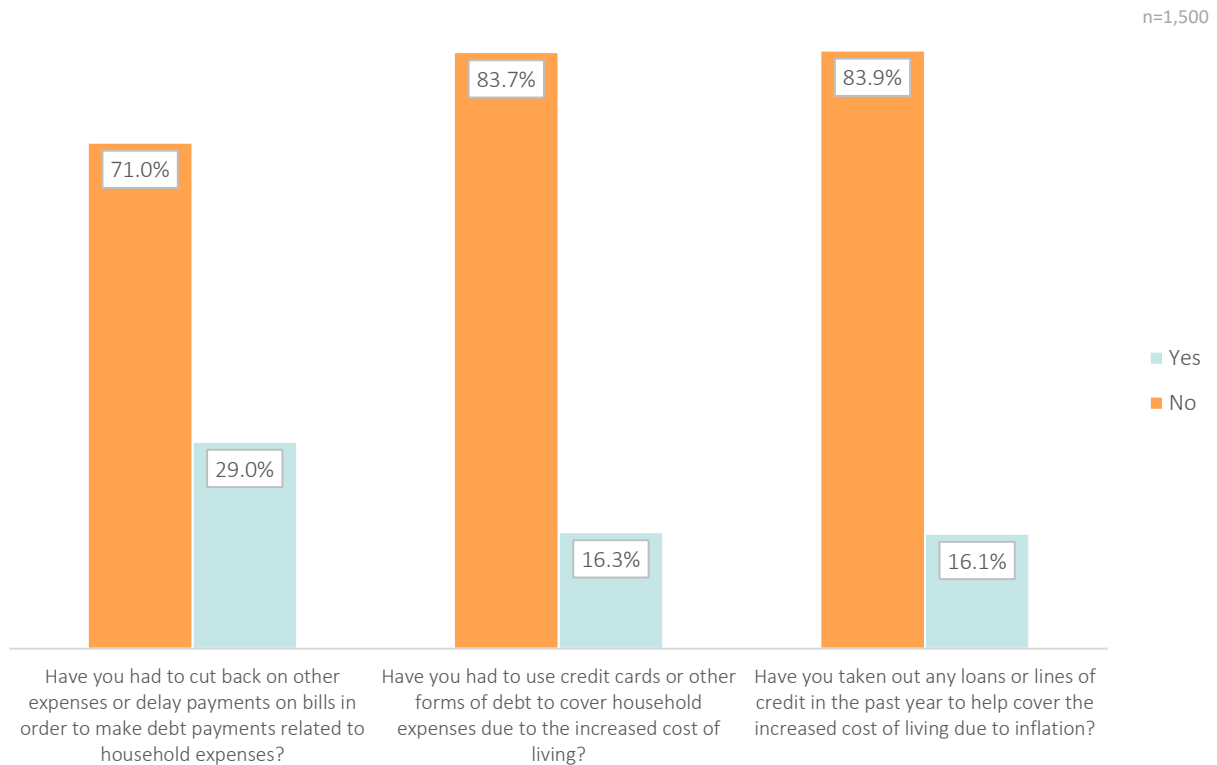
Debt

A set of questions was also administered to assess the extent of household indebtedness and any changes in debt levels over the past three years. This was undertaken to explore the relationship between rising prices and increased levels of indebtedness.

The first set of questions inquired about households’ borrowing behavior, credit card usage, and delayed payments as strategies to cope with inflation. In terms of loans or lines of credit, **16.1% of the respondents reported acquiring such financial instruments in the past year**. This indicates that a significant portion of the sample relied on borrowed funds to meet their financial needs. Similarly, 16.3% of the respondents stated that they had to resort to credit cards or other forms of debt to cover household expenses. This underscores **the prevalence of debt usage as a means of managing the impact of higher prices**.

Furthermore, the discovery that 29.0% **of the respondents reported reducing other expenses or postponing bill payments is indicative of the financial strain experienced by a significant portion of the sample**. Overall, these findings illustrate the potential financial challenges faced by individuals and households due to rising prices or increased expenses.

Figure 33. Utilizing Credit Cards and Loans to Manage Expenses



Among K-Albanian respondents, 13.8% reported taking out loans or lines of credit in the past year to cope with the rising cost of living, while 15.4% had to resort to credit cards or other forms of debt to cover household expenses. Furthermore, 28.1% of K-Albanian respondents had to reduce other expenses or postpone payments to manage their debt related to household expenses.

Among K-Serbs, a higher percentage turned to financial measures. Specifically, 40.8% took out loans or lines of credit, 29.5% used credit cards or other forms of debt, and 46.7% had to cut back on expenses or delay bill payments.

For the K-Roma, K-Ashkali, and K-Egyptian communities, 35.1% took out loans or lines of credit, 35.2% used credit cards or other forms of debt, and a significant 55.3% had reduce expenses or postpone bill payments.

These findings suggest that both men and women have employed financial strategies to address the impact of inflation on their cost of living. However, a slightly higher percentage of men took out loans or credit cards compared to women. Additionally, a greater percentage of women reported cutting back on expenses or delaying payments to manage their debt obligations.

Table 17. Utilizing Credit Cards and Loans to Combat Expenses, by Ethnicity

Taking out a loan to combat inflation	K-Albanians	K-Serbs	K-Roma, K-Ashkali, K-Egyptians
Yes	13.8%	40.8%	35.1%
No	86.2%	59.2%	64.9%
Total number of observations	1,200	150	150
Use of credit cards to combat inflation	K-Albanians	K-Serbs	K-Roma, K-Ashkali, K-Egyptians
Yes	15.4%	29.5%	35.2%
No	84.6%	70.5%	64.8%
Total number of observations	1,200	150	150
Changing spending habits because of inflation	K-Albanians	K-Serbs	K-Roma, K-Ashkali, K-Egyptians
Yes	28.1%	46.7%	55.3%
No	71.9%	53.3%	44.7%
Total number of observations	1,200	150	15

Next, a series of questions were posed to individuals regarding their concerns about their ability to repay debt and whether elevated price levels have contributed to their difficulty in repaying debt.

Regarding worries related to accumulated debt due to the increased cost of living, the data reveals that a substantial portion of respondents expressed varying levels of concern. **Specifically, 19.6% reported feeling very worried, while 23.2% stated they were somewhat worried.**

Findings indicate that the rise in the cost of living has indeed affected respondents' ability to settle existing debts: **14.7% stated that it has significantly impacted their ability, while 22.1% reported a somewhat affected ability to pay off existing debt.**

Concerning apprehensions about their ability to pay off accumulated debt, the data reveals similar patterns **with 13.8% expressing being very worried and 20.1% indicating they were somewhat worried.**

Table 18. Level of Concern and Worry about Debt

How worried are you about your household's accumulated debt?		How has the increase in cost of living affected your ability to pay off loans?		Are you worried that your household will not be able to pay back the debt you accumulated?	
Very Worried	19.6%	It has significantly affected my ability to pay off existing debt	14.7%	Very Worried	13.8%
Somewhat Worried	23.2%	It has somewhat affected my ability to pay off existing debt	22.1%	Somewhat Worried	20.1%
Not Very Worried	6.3%	It has not affected my ability to pay off existing debt	5.0%	Not Very Worried	6.0%
Not Worried at All	3.5%	It is not worth/we have no debt	58.2%	Not Worried at All	2.9%
NA	47.4%			NA	56.3%
Total number of observations	1,500		1,500		1,500

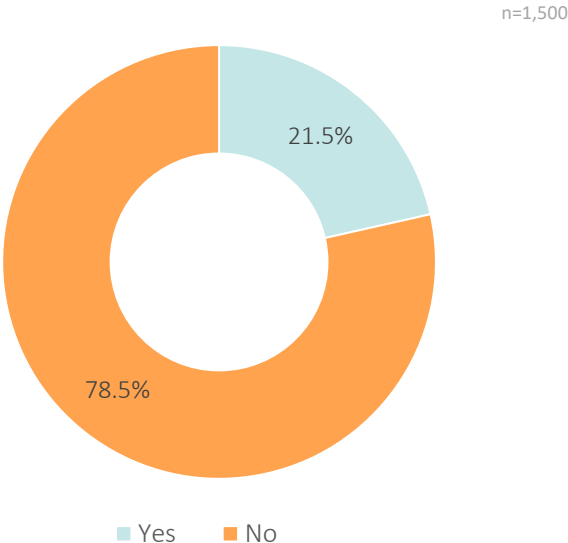
In summary, this portion of the findings provides compelling evidence that the rise in inflation has resulted in increased indebtedness among households. A significant portion of respondents turned to loans, lines of credit, and credit cards to meet their financial needs, underscoring the prevalence of debt usage in managing day-to-day financial obligations. Furthermore, a substantial percentage reported cutting back on expenses or delaying bill payments, shedding light on the financial strain experienced by many households. The data also reveals concerns about accumulated debt due to the increased cost of living, indicating individuals' apprehensions about their financial situations. The increase in the cost of living has significantly impacted respondents' ability to settle existing debts, suggesting that higher living expenses have strained their financial capacities. **Overall, these findings underscore the adverse impact of inflation on households and highlight inflation-induced indebtedness as a coping mechanism to contend with rising prices.**

Social Assistance

The questionnaire included a series of questions aimed at assessing households' reliance on social assistance programs and comprehending the impact of inflation on the amount of social assistance they receive. Initially, the survey inquired whether anyone in the household received social assistance through the Social Assistance Scheme provided by Kosovo's central institutions.

Among the respondents, **21.5%** indicated that they did, and within this group, **50.6%** reported receiving an amount between **100-199 EUR**, **24.5%** more than **200 EUR**, **14.5%** received between **50-99 EUR**, and **10.4%** received less than **50 EUR**.

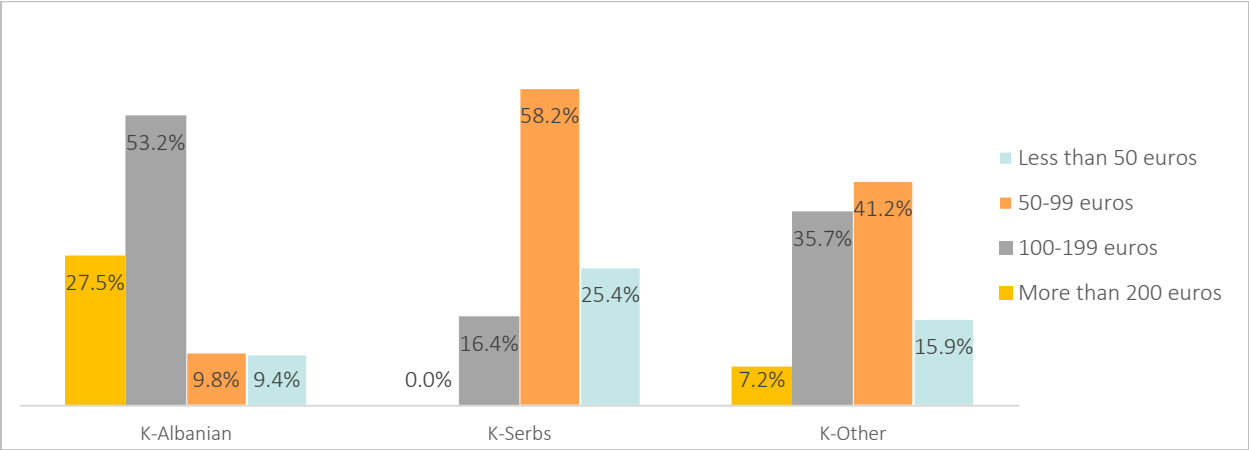
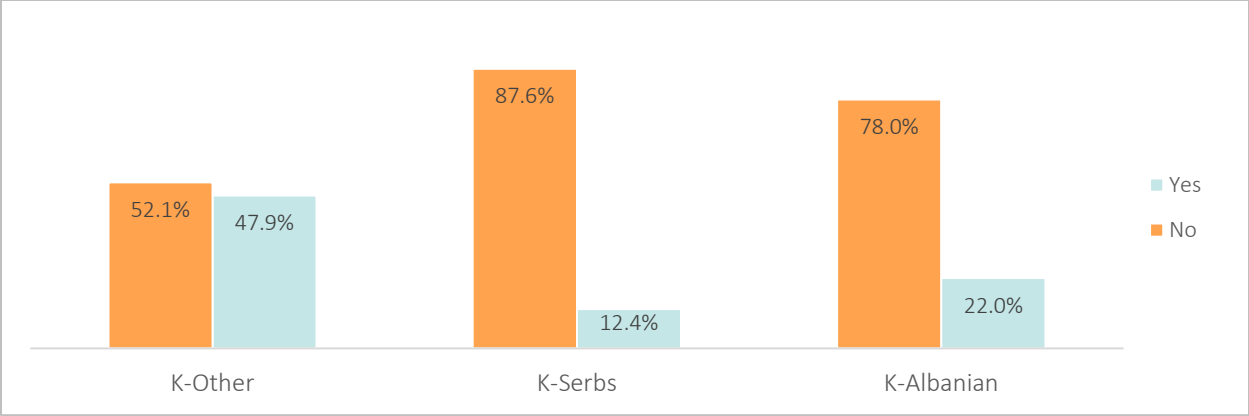
Figure 34. Receiving of Social Assistance Programs and Amounts for 2023



Among K-Albanian households, 22.0% reported that their households are currently receiving social assistance. For K-Serb households, a lower percentage of 12.4% mentioned that their households are receiving social assistance. In contrast, among the K-Roma, K-Ashkali, and K-Egyptian communities, a significantly higher proportion of 47.9% stated that their households are receiving social assistance.

The following graphs provide a visual representation of the social assistance data, depicting whether households of different ethnicities receive social assistance and the respective amounts received.

Figure 35. Receiving of Social Assistance Programs and Amounts for 2023 by ethnicity.

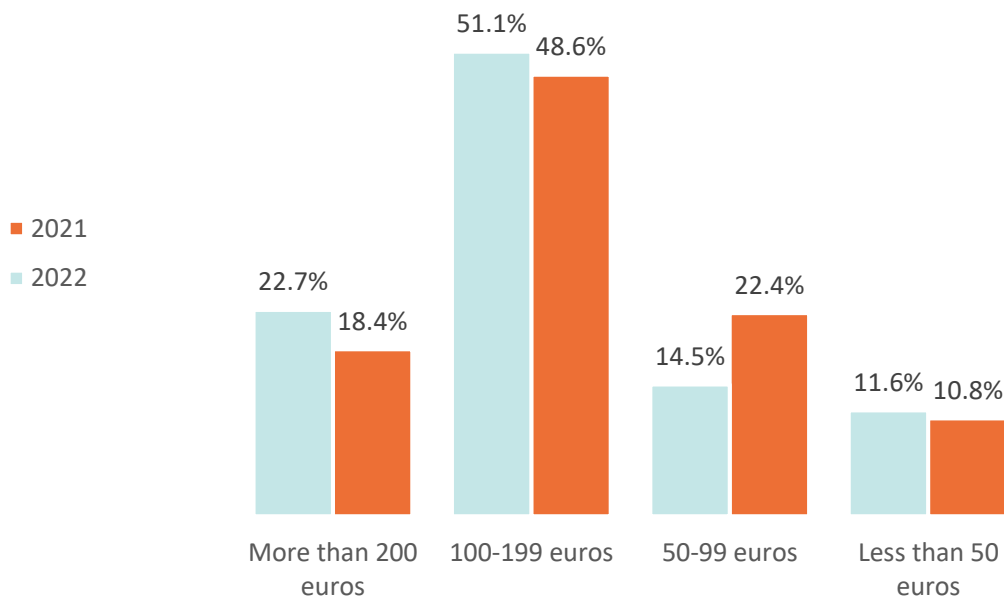


Next, two additional questions inquired whether respondents' households received social assistance in 2021 and 2022. For 2021, only 21.4% of respondents reported that they received social assistance, and this figure slightly increased to 22% for 2022. Among those who did report receiving assistance (321 in 2021 and 329 in 2022), the following findings are noteworthy.

In 2021, approximately 10.76% of households received less than 50 EUR as social assistance, and this percentage saw a slight increase to 11.64% in 2022. **This suggests a marginal upward trend in the proportion of households receiving the lowest level of social assistance.** Conversely, there was a significant decrease in the percentage of households receiving income in the range of 50-99 EUR, dropping from 22.36% in 2021 to 14.50% in 2022. However, the category of 100-199 EUR witnessed a slight increase, rising from 48.61% in 2021 to 51.14% in 2022, **indicating a higher proportion of households falling into this income bracket.** The most significant change occurred in the "More than 200 EUR" category, where the percentage increased from 18.36% in 2021 to 22.72% in 2022, signifying a significant rise and suggesting a notable increase in the proportion of households receiving higher levels of social assistance. Overall, these findings underscore the shifting distribution of social assistance income among households over the two years, with a decrease in the middle-income range and an increase in both the lowest and highest income categories.

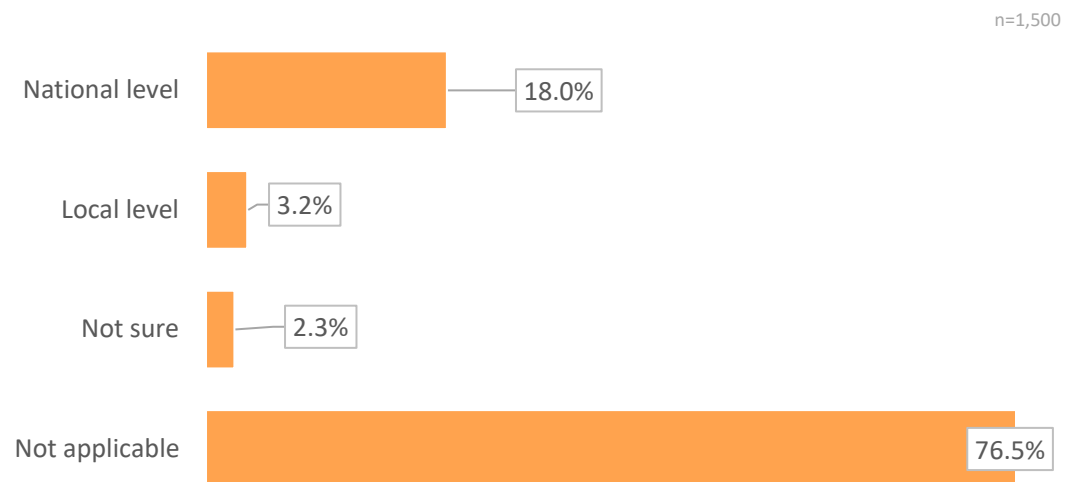
Figure 36. Changes in Social Assistance between 2021 to 2022

n for 2021= 321
n for 2022= 329



Among the individuals who reported receiving social assistance payments, a significant majority, specifically 97.9%, indicated receiving them on a monthly basis, while 1% reported receiving payments every two months, and the remainder received them once a year. Furthermore, among the respondents, 18.0% reported receiving social assistance payments from central institutions, specifically from ministry departments or divisions. In contrast, a smaller proportion of respondents, accounting for 3.2%, stated that they received social assistance payments from local levels, such as municipal departments or directorates. A notable percentage of respondents, comprising 76.5%, indicated that the question was not applicable to them, suggesting that they did not receive social assistance payments at all. Additionally, a small percentage (2.3%) expressed uncertainty regarding the source of their social assistance payments.

Figure 37. Sources of Social Assistance



The results suggest that **the impact of changes in the social assistance scheme on expenditure decisions aimed at mitigating inflationary pressures in Kosovo has been minimal.** This is primarily due to the fact that social assistance coverage in Kosovo remains low (as reported by the World Bank in 2010),²⁸ and the scheme has not been adapted to account for inflation. Nevertheless, it's worth noting that during the pandemic response, Kosovo institutions temporarily doubled social assistance for several months. This might be what respondents were referring to when discussing changes, they have observed in their social assistance.

Remittances

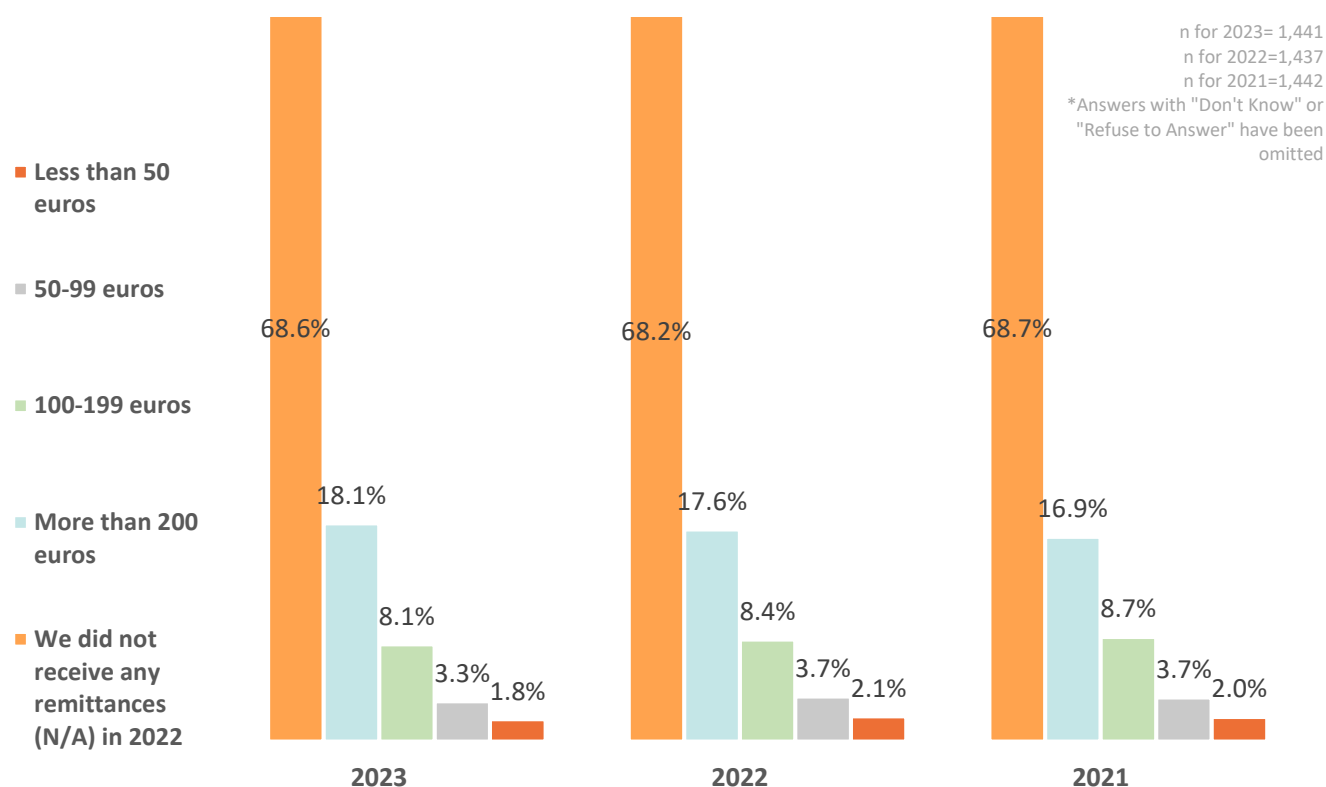
One of the study's objectives was to measure the impact of remittances on combating inflation. The aim was to assess the significance of remittances in individuals' incomes and evaluate any changes in the proportion of remittances over the past three years.

The data suggests that over one-third of households in Kosovo receive remittances (35% in 2021 and 2022, and 34% in 2022). This finding indicates that a substantial portion of households indeed receives remittances.

The graph below further outlines the amount of remittances received by households.

²⁸ <http://documents1.worldbank.org/curated/en/994991557470271998/pdf/Kosovo-Social-Assistance-Scheme-Study-Assessment-and-Reform-Options.pdf>

Figure 38. Amount of Remittances Received from 2021 to 2023



Overall, these findings indicate a relatively stable trend in remittances, with a slight increase in higher-value remittances and a consistent majority of respondents not receiving any remittances.

Key findings related to the average amount of remittances received by households from 2021 to 2023, disaggregated by region, are presented in the table below.

Table 19. Amount of Remittances Received from 2021 to 2023 by Ethnic Background

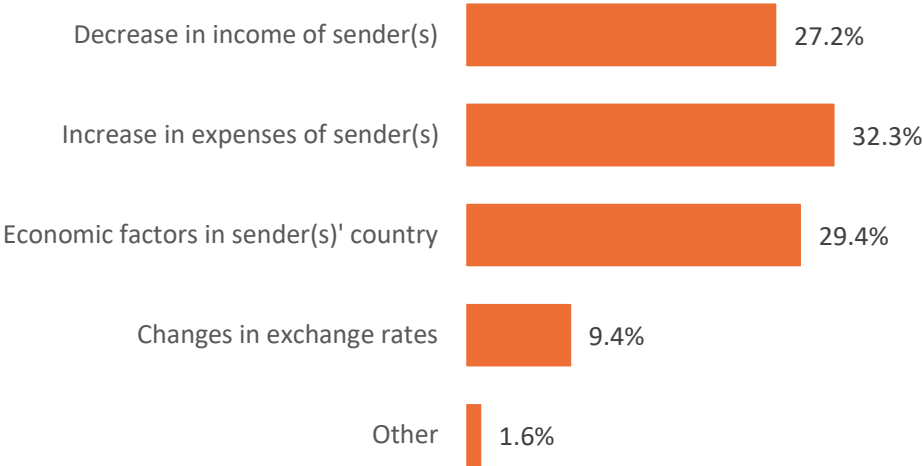
	2021			2022			2023		
	K-Albanian	K-Serbs	K-Other	K-Albanian	K-Serbs	K-Other	K-Albanian	K-Serbs	K-Other
Less than 50 euros	1.8%	0.0%	9.8%	1.9%	0.0%	8.2%	1.8%	0.0%	3.7%
50-99 euros	3.7%	0.0%	12.4%	3.7%	0.0%	14.9%	3.1%	0.0%	16.8%
100-199 euros	8.8%	0.0%	20.2%	8.5%	0.0%	19.0%	8.2%	0.0%	20.6%
More than 200 euros	18.3%	0.0%	8.9%	19.0%	0.0%	8.7%	19.6%	0.0%	8.4%
We did not receive remittances	67.4%	94.7%	48.3%	66.8%	95.9%	48.7%	67.5%	96.7%	47.9%
Total number of observations (with DK/refuse to answer omitted)	1139	145	140	1149	147	143	1152	148	144

Furthermore, among 215 respondents (representing 37% of the sample) who reported consistently receiving remittances but noted a decline in the level of remittances over the years, they were asked about the reasons they believed were behind this decline. The key factors for this change were reported as follows: an increase in the expenses of the sender(s), (32.3%); economic conditions in the sender(s)' country (29.4% of the respondents); a decrease in the income of the sender(s) (27.2%); and changes in exchange rates (9.4%). These findings underscore the perception among individuals that the decrease in remittances is primarily driven by the increased expenses of the sender(s), economic factors in their country, and the declining income of the sender(s), with changes in exchange rates playing a secondary role.

It is important to note, however, that despite the expectations that remittance inflow would decrease due to rising prices in the Diaspora host countries, official statistics from the Central Bank of Kosovo reveal an increase in remittances during the period from 2021-2023. These figures reached as high as 1.153 billion EUR in 2021, 1.223 billion EUR in 2022, and based on inflow for January to May 2023, are showing a further upward trend.

Figure 39. Reasons behind Changes in Remittances Received Over the Years

n=215



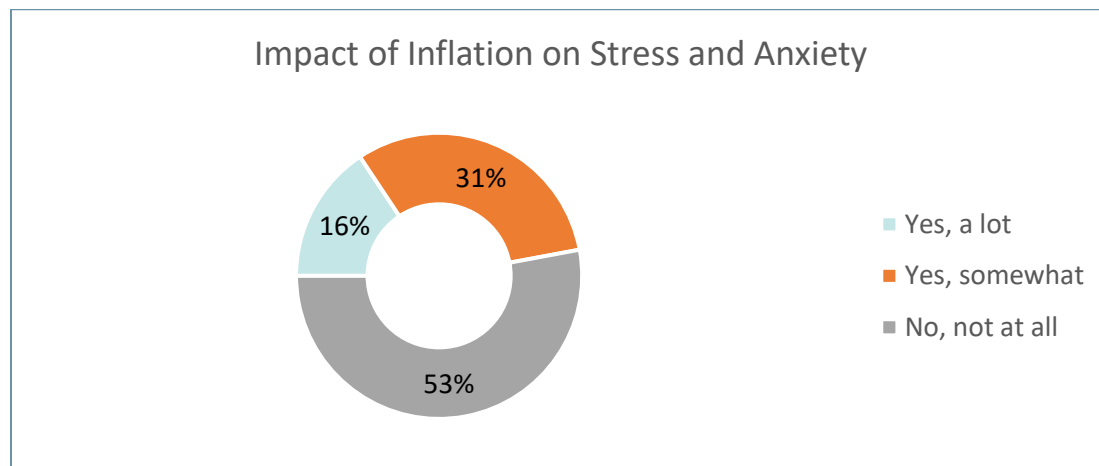
Findings in this section reveal that remittances continue to be a vital financial source in Kosovo, with more than one third of households receiving them. According to official statistics, remittances account for approximately one third of the value of the Kosovo budget and about 14-15% of GDP. However, a minority of remittance recipients did report a decrease in remittances for their households, primarily due to economic changes in the Diaspora host countries.

Inflation Impact on Social and Mental Well-Being of Respondents

Understanding the impact of inflation on people's social and mental well-being is a critical objective of this study, as mental and social well-being indirectly contribute to people's overall quality of life and productivity. This section focuses on presenting findings that aim to enhance comprehension in this specific area.

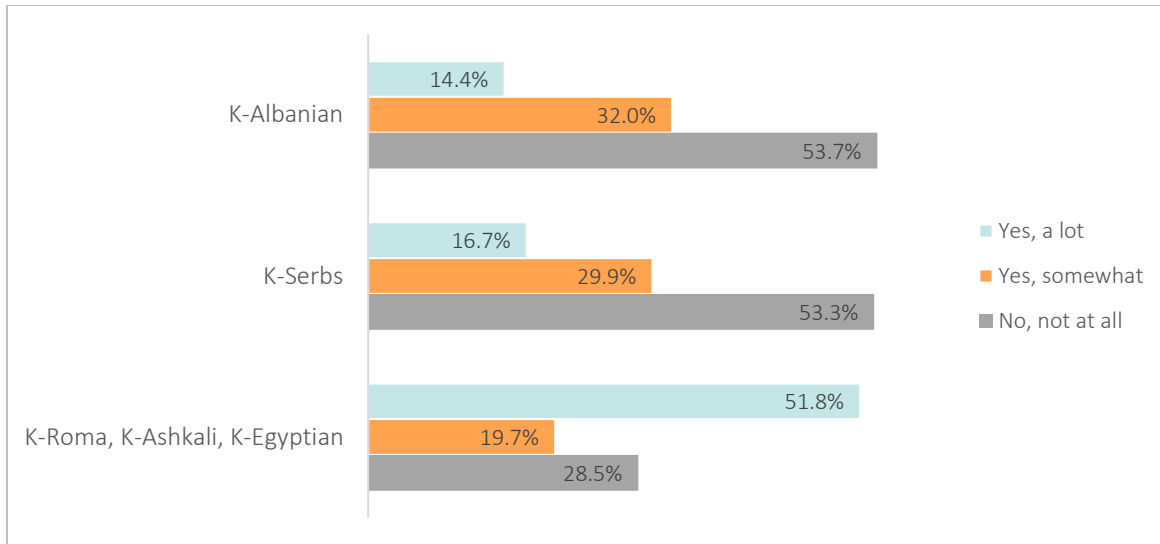
The findings regarding the impact of inflation on individuals' stress, anxiety, or worry levels reveal that a significant portion of respondents experienced some degree of negative emotional impact. Among the participants, nearly half of respondents reported experiencing stress, anxiety, or worry due to inflation (16% reported a high level of stress, anxiety, or worry, and 31% indicated a moderate level). However, half of the respondents, accounting for 53%, stated that they did not experience any stress, anxiety, or worry related to inflation. Among those who did experience stress (23.9% of the respondents), inflation was reported to have affected their productivity at work, with two thirds stating that it had also disrupted their sleep patterns, and 41.6% of respondents mentioned that inflation had caused tension in their personal relationships.

Figure 40. Impact of Inflation on Stress and Anxiety Levels



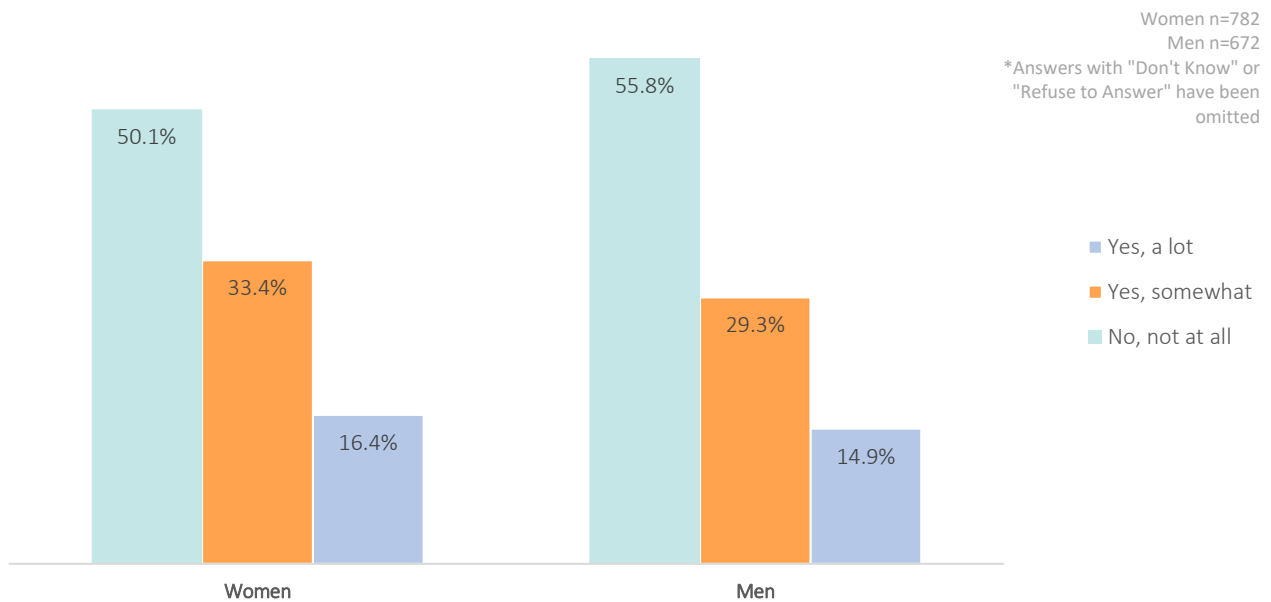
In line with the findings in this report, the data suggests that K-Roma, K-Ashkali, and K-Egyptian communities are more vulnerable to changes in economic conditions. More than half of them reported experiencing stress and anxiety due to price increases, in contrast to one fifth and one fourth of the K-Albanian and K-Serbian communities, respectively.

Figure 41. Impact of Inflation on Stress and Anxiety Levels by Ethnic Breakdown



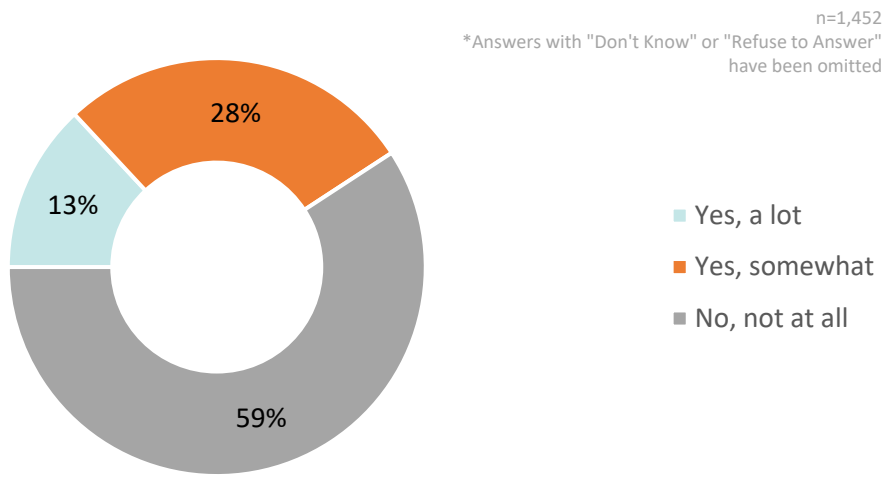
When considering gender, it appears that women tend to experience more stress related to inflation. This may be attributed to their lower employment rates and, consequently, their economic situation and power.

Figure 42. Impact of Inflation on Stress and Anxiety Levels by Gender



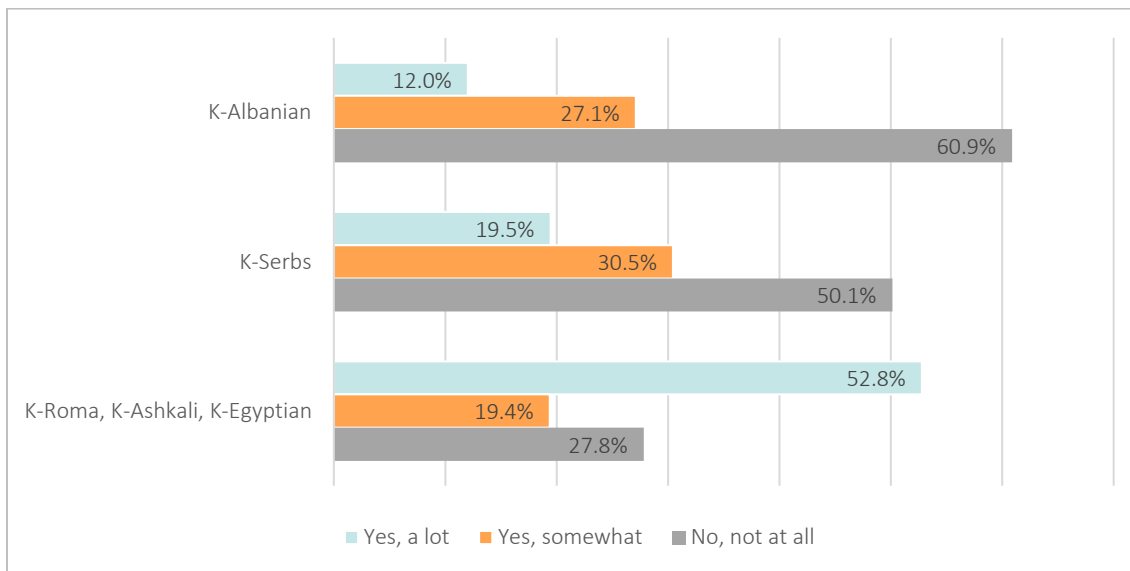
Regarding personal sacrifices or cutbacks due to inflation, 13% reported making significant sacrifices, while 28% indicated making some adjustments. These changes often involved cutting back on personal expenses that directly affect their mental well-being, such as hobbies or self-care activities. The sacrifices mentioned by respondents included reducing social activities with friends or family (83.9%), hobbies (11.7%), exercise or physical activity (18.1%), self-care activities such as massage, therapy, and meditation (23.8%).

Figure 43. Impact of Inflation on Expense Reduction



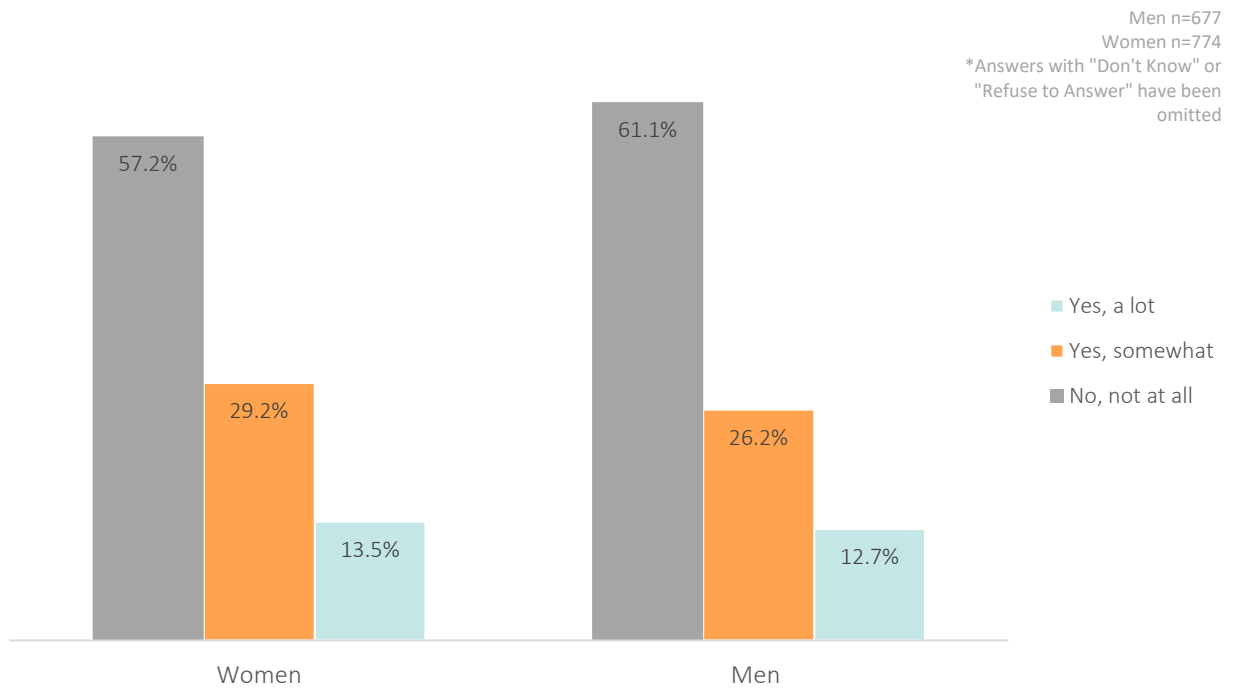
When considering ethnic breakdowns, inflation has had the most significant impact on the K-Roma, K-Ashkali, and K-Egyptian communities, followed by the K-Serb community and then the K-Albanian community.

Figure 44. Impact of Inflation on Expense Reduction by Ethnic Background



When examining gender, there doesn't seem to be any significant difference between men and women. Women were slightly more likely to report that inflation has influenced their decision to reduce expenses compared to men.

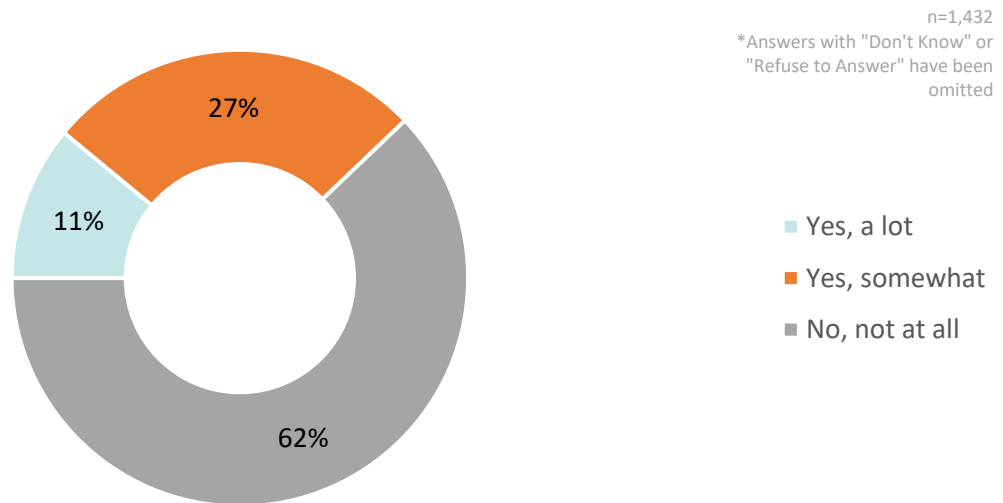
Figure 45. Impact of Inflation on Expense Reduction by Gender



Inflation has also had a noticeable impact on personal relationships and social lives of respondents. Approximately 38% reported that inflation has affected their relationships, while 62% claimed that it has not.

Among those who reported experiencing negative impacts, these effects were observed in their friendships (70.6%), family relationships (58.7%), and professional relationships (15.9%). Additionally, 9.4% stated that their romantic relationships have been affected.

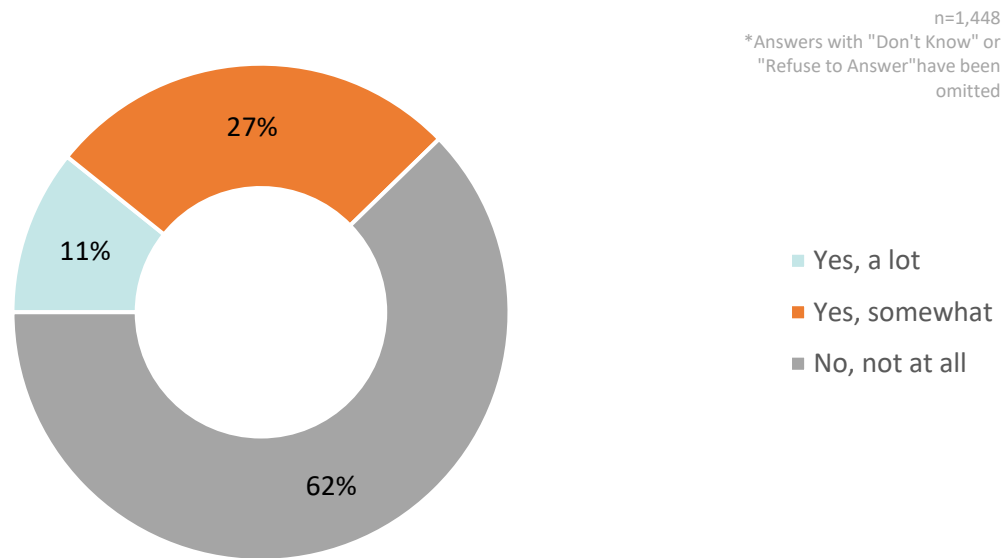
Figure 46. Impact of Inflation on Personal Relationships or Social Life



Among the participants, 38% reported experiencing some level of social isolation or exclusion due to financial constraints caused by inflation (with 11% experiencing a significant degree and 27% a moderate degree of exclusion). However, a majority of respondents, 62%, reported not feeling socially isolated or excluded at all, suggesting that financial constraints have had limited effects on their social engagement.

For those who did feel some sort of isolation, the most missed events were vacations or travel opportunities, with a significant 86.4% of respondents indicating that they had to forego such experiences due to financial constraints caused by inflation. Social outings with friends or family were also affected, as reported by 57.9% of respondents. Additionally, weddings or other special occasions were missed by 28.0% of participants, while concerts or entertainment events were skipped by 25.7% of respondents.

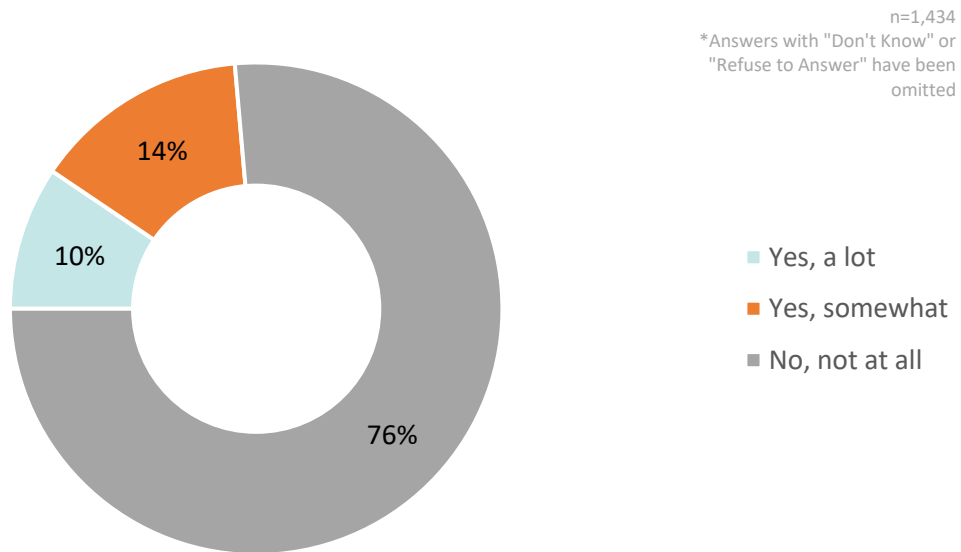
Figure 47. Exclusion from Social Events Due to Financial Constraints



Finally, a noteworthy proportion of respondents reported having to prioritize financial concerns over their mental health or social well-being due to various financial constraints. Among the participants, 10% reported prioritizing financial concerns over mental health to a significant extent, while 14% indicated doing so to some extent. On the other hand, a majority of respondents, comprising 76.0%, stated that they had not prioritized financial concerns over their mental health or social well-being. These findings highlight the delicate balance individuals face in managing financial constraints while striving to maintain their mental health and social well-being.

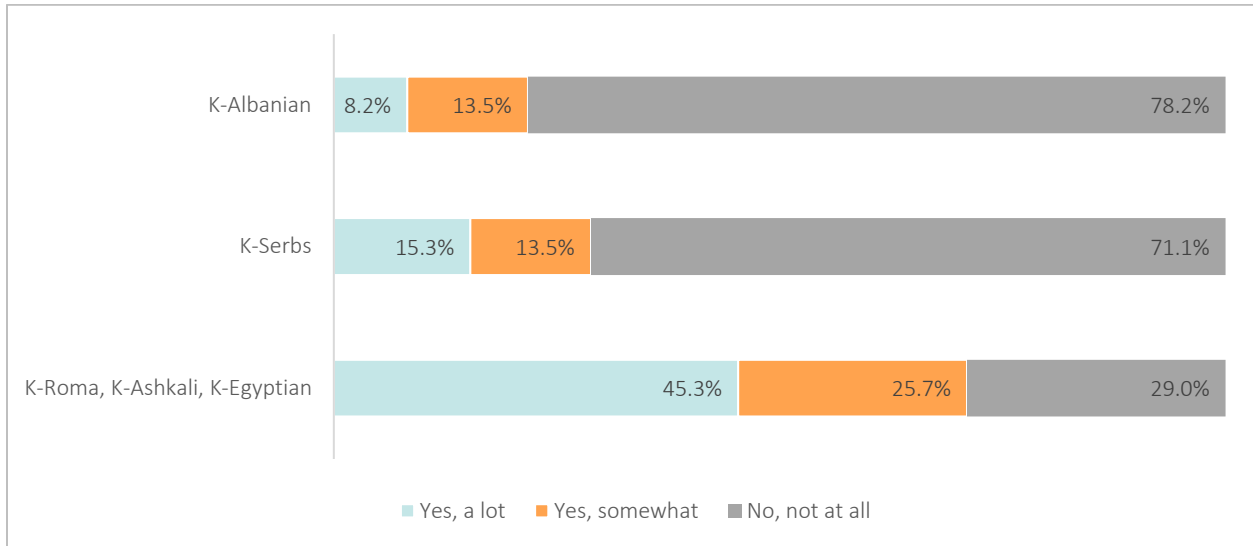
Among those who reported having to prioritize financial constraints over mental health or social well-being (22.5%), examples of such prioritization varied. The most common example reported by participants was postponing a visit to the doctor or dentist due to financial constraints, accounting for 75.7% of the cases. This underscores the challenging trade-offs individuals face when deciding between their physical and mental well-being and financial limitations. Additionally, 25.3% of respondents reported having to cancel or skip a therapy session specifically related to mental health due to financial constraints, highlighting the impact of financial pressures on accessing necessary mental health support. Furthermore, a considerable proportion of participants (23.8%) mentioned working long hours or taking on extra jobs, which negatively affected their mental health or social life. Once again, percentages add to more than 100% due to the multiple response nature of the question.

Figure 48. Prioritization of Financial Concerns over Mental Well-being Due to Inflation



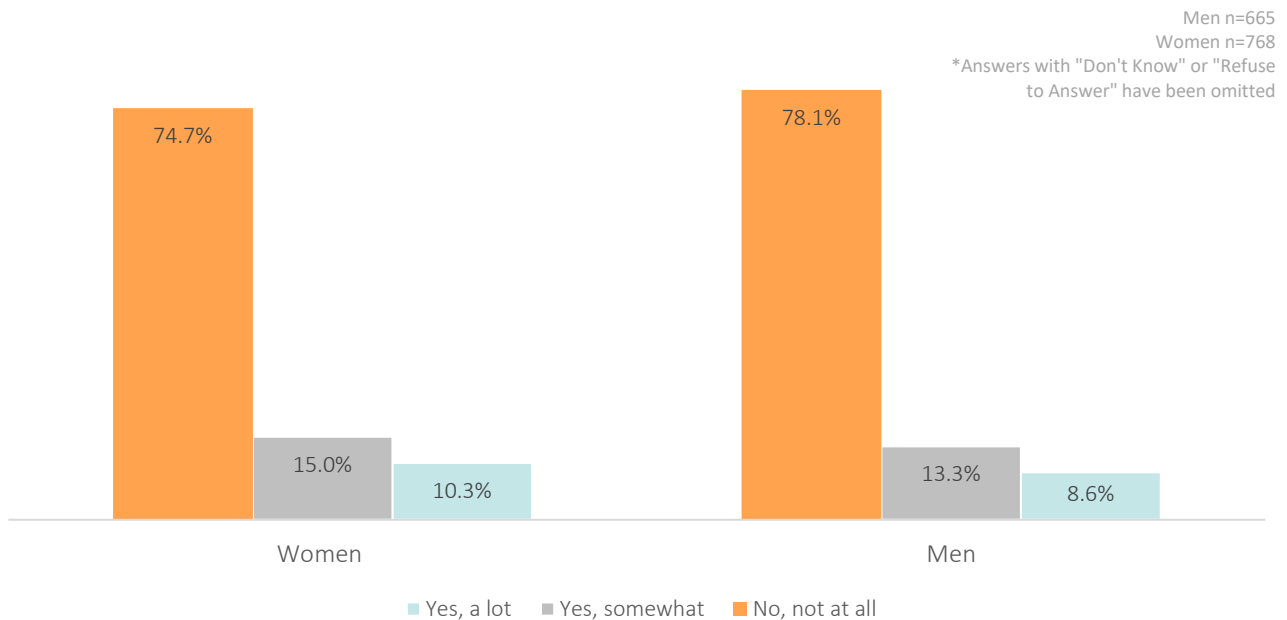
When examining the same data by ethnicity, it becomes evident that the K-Roma, K-Ashkali, and K-Egyptian communities reported prioritizing financial concerns over mental well-being the most (45.3%), followed by the K-Serbian community (15.3%), and the K-Albanian community (8.2%).

Figure 49. Prioritization of Financial Concerns Over Mental Well-being Due to Inflation by Ethnicity



The prioritization of financial concerns over their well-being was slightly more pronounced among women (25.3% of women compared to 21.9% for men).

Figure 50. Prioritization of Financial Concerns Over Mental Well-being Due to Inflation by Gender



The findings suggest that inflation has indeed affected the mental and social well-being of individuals, leading to disruptions in their lives and routine activities. While most people did not experience significant disruptions, those who did reported increased stress, decreased social activities, and sacrificed in leisure and health-related activities. Normal daily activities, such as

sleep patterns and work productivity, were also disrupted. Additionally, important events were skipped as a result. **Overall, inflation has had indirect negative impacts on people's quality of life.**

Institutional Action to Address Inflation

In the final question, respondents were asked to provide opinions on what actions the Kosovo Executive or other institutions could take to help make things more affordable for households, with the option to select multiple answers. Increasing salaries through legal stipulations was the most popular option, selected by 88.4% of respondents, followed by 69.5% who chose the alternative of setting price ceilings. Furthermore, 61.2% of respondents favored the implementation of more institutional aid programs for people, while providing more subsidies to businesses that increase salaries was selected by 42.5%. Lastly, 24.4% of respondents supported another unspecified option.

Figure 51. Institutional Action to Address Inflation



Conclusions and Recommendations

In conclusion, the price increases in Kosovo have had a significant impact on the well-being of its people. According to World Bank data, there were high price changes, with a food inflation rate of 19.4% in December 2022, compared to 8.8% in January of the same year. Additionally, Kosovo Agency of Statistics (KAS) data indicates an annual inflation rate of 12.1% in December 2022 compared to December 2021.²⁹

²⁹ Kosovo Agency of Statistics. Harmonized Index of Consumer Prices. December 2022. Available at: <https://ask.rks-gov.net/en/kosovo-agency-of-statistics/add-news/harmonized-index-of-consumer-prices-hicp-december-2022>

While there have been recent improvements, as shown by the Kosovo Agency of Statistics (KAS) June 2023 Harmonized Index of Consumer Prices (HICP) which is 2.8% higher as compared to June 2022, the inflation rate between May and June 2023 remains at 0%.³⁰

These statistics underscore the urgency of understanding how inflation has affected the economic well-being of individuals and their vulnerability to poverty. To address this issue, a Public Pulse Analysis report was initiated to assess the impact of inflation on the people of Kosovo. By utilizing household surveys, this analysis aimed to answer key questions regarding the influence of inflation on economic choices, changes in poverty due to price changes, the impact of inflation on household indebtedness, the role of income from the Diaspora and social protection programs in shaping and coping with expenditure choices and income levels, and the impact of inflation on the overall quality of life at the household level.

Based on the key findings, the following recommendations are presented

- 1. Labor Market Reforms and Economic Support:** Implement labor market reforms and economic measures including promoting and supporting entrepreneurial activities to foster self-employment and job creation.
- 2. Job Creation Policies:** Develop policies to attract foreign investments and stimulate growth in labor-intensive industries and sectors with growth potential, such as production, construction, retail trade, and hospitality. Special attention should be given to supporting women-owned businesses.
- 3. Adjustment of Social Assistance and Increasing Coverage:** Reform the social assistance scheme, addressing low coverage and outdated consumption baskets. Revisit the criteria for removing households from Social Assistance Category 2. Consider revising the criteria for the automatic removal of social assistance beneficiaries and Veterans of the 1999 conflict when they receive taxed income from work.
- 4. Increasing Minimum Wage:** Raise the minimum wage, which has remained unchanged since its introduction in 2011. Consider approving proposals for an increased minimum wage, ensuring fair wages for workers.
- 5. Child Benefits:** Continue to implement child benefits, and, in the future, consider increasing the benefit amount in line with available fiscal resources.
- 6. Active Labor Market Policies:** Support social assistance recipients in transitioning to active labor market participation. Prioritize social assistance recipients' access to active labor market measures offered by the Employment Agency and ministries. Tailor programs to address the

³⁰ Kosovo Agency of Statistics. Harmonized Index of Consumer Prices. June 2023. Available at: <https://ask.rks-gov.net/en/kosovo-agency-of-statistics/add-news/harmonized-index-of-consumer-prices-hicp-june-2023>

needs of specific groups, including women, K-Roma, K-Ashkali, K-Egyptian communities, people with special needs, and single mothers.

Foresight to Prevent Price Changes: Strengthen inspection bodies' capacity to monitor and regulate price changes during periods of inflation, preventing excessive price hikes.

8. Public Awareness Campaigns: Conduct public awareness campaigns to educate households on budgeting, financial management, and coping strategies during periods of inflation. Establish platforms for people's feedback and concerns to inform policymaking processes.

9. Collaboration: Strengthen collaboration between institutions, civil society organizations, and private sector stakeholders to collectively support individuals most in need

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