

Summary of the Governor's Report - June 2016

Updated: 05 September 2016

The Governor's Report for June 2016 provides an overview of key activities of the Central Bank concerning implementation of targets and objectives defined by the Central Bank of Montenegro Policy for 2016 and Guidelines for Implementation of the Central Bank of Montenegro Policy for 2016, on a monthly basis.

In June, activities of the Central Bank were conducted pursuant to the planned obligations determined by the Central Bank of Montenegro Work Programme for 2016.

In 2015, according to preliminary Monstat data, GDP of Montenegro amounted to 3,2%, based on quarterly estimates. In Q1 2016, there was a real growth of 1,1% in relation to Q1 2015.

In June 2016, prices increased by 0.1% in relation to the previous month, while the annual inflation rate in June amounted to -1%.

During the first six months of 2016, industrial output recorded a y-o-y decrease of 5.3%. There was a decrease in all three sectors: mining and quarrying sector (-37%), manufacturing industry (-5.1%) and in the electricity, gas and steam supply sector (-1.2%). During the first five months of 2016, the number of tourist arrivals recorded a y-o-y increase of 7.6%, while overnights increased by 7.1%. During the first three months of 2016, according to Monstat data, the air passenger transport recorded a y-o-y increase of 5.1% while the air cargo transport remained unchanged. During Q1 2016, the road passenger transport recorded a y-o-y increase of 15.4%, while road cargo transport increased by 14.2%. During Q1 2016, railway passenger transport recorded a y-o-y increase of 12.9%, and railway cargo transport decreased by 13.3%.

During the first five months of 2016, production of wood products amounted to 60,379 m3, which is an increase of 19.6% in relation to the corresponding period of the previous year. During the first quarter of 2016, according to preliminary Monstat data, construction recorded a y-o-y increase of 12.3%, measured in terms of executed construction works, as well as a y-o-y increase of effective working hours of 1.5%.

In May 2016, the average number of employed persons amounted to 178,660, which is an increase of 2.3% compared to the previous month and 0.4% more in relation to May 2015. In June 2016, the number of unemployed persons amounted to 39,983 which represents a decrease of 0.6% in relation to the previous month and an increase of 28.6% compared to June 2015.

Out of 79,338 legal persons and entrepreneurs, at end-June 2016, accounts of 15,225 or 19.2% were frozen. In relation to the previous month, the number of frozen accounts of legal persons and entrepreneurs increased slightly, while it recorded an annual growth of 6.2%. At end-June 2016, total amount of debt being the basis for freezing of accounts amounted to 584.6 million euros, showing an increase of 2.3% in relation to the previous month as well as an annual increase of 11.3%.

On 30 May 2016, debt concentration was relatively high, considering that top 10 debtors (0.06% of total recorded debtors) accounted for 12.2% of the total debt being the basis for freezing of accounts. Moreover, the top 50 debtors (0.3% of total recorded debtors) accounted for 35% of the total debt being the basis for freezing of accounts.

At end-June 2016, total assets and liabilities increased by 1.1% compared to the previous month and amounted to 3,511.4 million euros. In terms of the structure of aggregate balance sheet of banks, total loans of banks make up the dominate share. At end-June 2016, total loans amounted to 2,377.5 million euros, which is 0.2% higher in relation to the previous month while they 0.2% lower in relation to June of the previous year.

In terms of the structure of liabilities, deposits make up the dominate share of 74.8%. In June 2016, deposits in banks amounted to 2,623 million euros, which represents an insignificant monthly increase of 0.1% and an increase of 9.3% compared to June 2015. Out of the total amount of deposits (2.63 billion euros), corporate deposits accounted for 837.9 million euros or 31.9%. Household deposits accounted for 1,448.7 billion euros or 55.2% of total deposits. At end-June 2016, total capital of banks amounted to 488.6 million euros, which is 2.5% more in relation to the previous month and an increase of 7.3% in relation to the corresponding period of the previous year.

In June, past due loans (without interests, and prepayments and accruals) amounted to 371.1 million euros, which is a decrease of 6% in relation to the previous month, while they recorded a decline of 18.3% in relation to June-2015. At end-June 2016, non-performing loans (without interests, and prepayments and accruals) amounted to 278.7 million euros and made up 11.7% of total loans. In relation to the previous month, non-performing loans decreased by 3.6%, while they recorded an annual decrease of 24.9%.

The weighted average lending effective interest rate (WALEIR) on total loans approved amounted to 7.98% at end-June 2016, which represents a monthly decrease of 0.18 percentage points, while in relation to end of the previous month it recorded a decrease of 1.03 percentage points.

The weighted average effective interest rate (WAEIR) on new loans amounted to 6.72% in June 2016, which represent a monthly decrease of 1.03 percentage points, and a decrease of 2.13 percentage points in relation to June 2015.

The weighted average effective deposit interest rate (WAEDIR) amounted to 1.09% at end-June 2016, showing a slight decline in relation to the previous month, while it recorded a decline of 0.40 percentage points in relation to end-June 2015.

At end-June 2016, reserve requirement of banks amounted to 243.8 million euros, which represents an increase of 194,601 euros or 0.1%, while in relation to the corresponding period of the previous year, reserve requirements increased by 23.5 million euros or 10.7%. During June 2016, all banks allocated and maintained reserve requirements within prescribed limits. Of the total amount of allocated reserve requirements, some 46.3% was allocated to the account of reserve requirement in the country, 34.2% to the CBCG account held abroad, and 19.5% in the form of T-bills. At end June, five banks did not have a prortion of reserve requirement in the form of T-Bills.

In May 2016, the gross insurance premium amounted to 7.5 million euros. Non-life insurance premiums still accounted for the main share in its structure with 85.8%, while invoiced life insurance premiums accounted for the remaining 14.2%.

In June 2016, Montenegro Stock Exchange recorded a turnover in the amount of 880,987 euros, through 309 transactions. The turnover was 2.3% higher in relation to the previous month. Market capitalisation, as at 30 June 2016 amounted to 2,825.5 million euros, thus recording a monthly increase of 0.2%. The MONEX index, which amounted to 10,493.32 index points at end-June 2016, decreased by 2% in relation to the end of the previous month, while investment fund index MONEXPIF amounted to 2,690.34 and recorded a monthly increase of 2.2%. The MNSE10 index amounted to 854.16 index points and decreased by 5.7% in relation to the previous month.

In May 2016, according to the Ministry of Finance estimates, Montenegrin fiscal deficit amounted to 25.2 million euros or 0.7% of annual GDP, while during the five months of 2016 there was a deficit in the amount of 112.8 million euros or 3% of GDP. Source revenues of the budget of Montenegro amounted to 109.9 million euros or 2.9% of GDP, which represents an increase of 0.7% in relation to the plan for May. In relation to source revenues recorded in May 2015, there was an increase of 10.1%. Budget expenditures amounted to 135.1 million euros or 3.6% of GDP which is 6.5% less in relation to the plan for May 2016, and 19.3% more in relation to expenditures in May 2015. At end-March 2016, according to the Ministry of Finance estimates, public debt (gross) amounted to 2,544.1 million euros. Out of that figure, a total of 320.5 million euros or 8.5% of GDP referred to internal debt, while external debt accounted for 2,223.6 million euros or 59.1% of GDP. Net public debt amounted to 59.7% of GDP.

With a view to fostering and maintaining a sound banking system, the condition of the banking sector in Montenegro was subject to ongoing monitoring and analysis. International reserves management was performed based on the principles of liquidity and security. The activities regarding the Central Bank's role as a fiscal agent were performed successfully. RTGS and DNS systems availability amounted to 100% in June.

In May, the Central Bank carried out significant activities aimed at meeting obligations on the road towards Montenegro's accession to the EU. The CBCG representatives participated in the XX meeting of the Commission for European Integration, held on 24 June. The CBCG updated Information on the negotiation process for the membership of Montenegro in the European Union, in the part referring to Chapter 9 - Financial Services. The CBCG representatives participated in the meeting of the Subcommittee on industry, trade, customs, and cooperation with other candidate countries. The meeting was organised by the Ministry of Economy. The CBCG participated in the regular quarterly meeting of the sub-group of the negotiation chapter 18 for Domain 2 "Macroeconomic statistics, national accounts, and structural business statistics" in Monstat. The CBCG submitted to the European Commission the Law amending the Central Bank of Montenegro Law, Revised action plan for harmonisation with the EU legislation for Chapter 17 - Economic and Monetary Policy, as well as the answer to the comment of the European Commission referring to the Law and the Action plan. The representatives of the CBCG participated in the first meeting organised by Monstat in relation to preparation of the IPA 2015 MB grant project in the area of statistics of international service trade. Also, the CBCG participated in the meeting of first expert mission for MIP indicators within IPA 2014 multi-beneficiary project.

The general public was informed timely and in line with the highest transparency standards about the activities, goals, and results of the CBCG's operations. This was done by means of public announcements, publications, web presentations, and media appearances. On its website, the Central Bank has continued to publish information on legal entities and entrepreneurs whose accounts are frozen in the amount exceeding 10,000 euros for a continuous period exceeding 30 days, in line with the Law on Amendments to the Law on National Payment Operations.