

## The Governor's Report – April 2020

The Governor's Report for April 2020 provides a monthly overview of key activities of the Central Bank concerning the implementation of targets and objectives defined by the Central Bank of Montenegro Policy for 2020.

In April, activities of the Central Bank were conducted according to the planned obligations determined by the Central Bank of Montenegro Work Programme for 2020.

Preliminary Monstat data show that Montenegro's 2019 real GDP growth rate amounted to 3.6%, based on quarterly estimates. The annual GDP growth rate in Q1 2020 was 2.7%.

In April 2020, consumer prices were by 0.3% lower compared month-on-month, and by 0.9% compared y-o-y.

During the first four months of 2020, industrial output recorded a y-o-y increase of 6.9%. All three sectors recorded respective output growth of 18.9%, 6.1% and 4.7% in mining and quarrying sector, manufacturing industry, and electricity, gas and steam supply sector.

Preliminary Monstat data for Q1 2020 show that passenger transport recorded a year-on-year decrease. The decrease amounted to respective -19.8%, -23.5%, and -11.0% in rail passenger transport, road passenger transport, and air passenger transport.

During the first four months of 2020, production of wood products amounted to 40,956 cubic metres, which is an increase of 69.6% compared year-on-year. Preliminary Monstat data show that in the first three months of 2020, construction recorded y-o-y growth of 4.6% in the value of executed construction works, and a 7.6% increase in effective working hours.

In April 2020, the average number of employed persons amounted to 184,607, which is a decrease of 1.4% compared to the previous month and 8% more in relation to April 2019. The number of unemployed persons this month was 40,361, which represents a monthly increase of 13.6%, and a y-o-y increase of 5.9%.

As at 30 April 2020, out of 48,743 business entities registered as active in the Central Registry of Business Entities, and having active accounts in the Central Registry of Transaction Accounts, a total of 14,822 or 30.4% were frozen. Compared to the previous month, the number of blocked business entities increased by 0.8%, while its y-o-y growth stood at 5.1%. At end-April 2020, the total amount of debt as the basis for freezing of accounts amounted to 615.2 million euros, showing a monthly increase of 0.9%, and a y-o-y decrease of 2.7%.

As at 30 April 2020, out of the total number of business entities with frozen accounts (14,822) a total of 2,116 business entities were under uninterrupted blockage up to 365 days, with frozen funds of 29,463,890.24 euros or 4.8% of the total amount of frozen funds. The number of business entities under uninterrupted blockage for over 365 days was 12,706 with frozen funds of 585,780,416.41 euros or 95.2% of the total amount of frozen funds of business entities.

As at 30 April 2020, debt concentration was relatively high, considering that top 10 debtors (0.07% of total recorded debtors) accounted for 19.9% of the total debt as the basis for freezing of accounts. In addition, 50 of blocked business entities (0.3% of the total number of blocked business entities) accounted for 40.5% of the total debt used as the basis for the account freeze.

At end-April 2020, total assets and liabilities of banks amounted to 4,581.2 million euros, recording a monthly decline of 1.1%. In terms of the structure of the aggregate balance sheet of banks, total loans make up the dominate share. At end-April 2020, total loans amounted to 3,102.8 million euros, which is 1.7% lower in relation to the previous month and 5.3% higher compared y-o-y.

In the structure of liabilities, deposits made up the main share of 73.4%. In April 2020, deposits in banks amounted to 3,312.5 million euros, declining by 1.5% m-o-m and 0.3% y-o-y. Total capital of banks at end-April 2020 amounted to 608.4 million euros, or by 0.4% more in relation to the previous month, and by 15.5% more compared y-o-y.

Past due loans (without interests, and prepayments and accruals) amounted to 176.6 million euros in April 2020, which is a monthly growth of 6.1% and a year-on-year decline of 13.5%. At the end of April 2020, non-performing loans (without interests, and prepayments and accruals) amounted to 163 million euros and made up 5.3% of total loans. In relation to the previous month, non-

performing loans of banks increased by 1.5%, while they recorded a y-o-y increase of 16.6%.

At end-April 2020, the weighted average lending effective interest rate (WALEIR) on total loans granted amounted to 5.96%, remaining at the previous month level, and it was by 0.24 percentage points lower compared y-o-y. In April 2020, the weighted average lending effective interest rate (WALEIR) on new loans amounted to 5.39%, which represent a monthly drop of 0.54 percentage points, and a decrease of 0.6 percentage points in relation to April 2019. The weighted average effective deposit interest rate (WADEIR) amounted to 0.41% at end-April 2020 keeping its value seen at the end of the previous month, while recording a decline of 0.07 percentage points in relation to end-April 2019.

At end-April 2020, reserve requirement of banks amounted to 251.7 million euros, which represents a monthly decrease of 4.8 million euros or 1.9%, yet a y-o-y increase of 8.1 million euros or 3.3%. In April 2020, all banks allocated and maintained the prescribed amount of reserve requirements. In the total allocated reserve requirement, 58.8% was allocated to the reserve requirement account in the country, while 42.2% was allocated to the CBCG's foreign accounts.

Gross insurance premium amounted to 31 million euros during the first four months of 2020. Non-life insurance premiums still accounted for the main share in its structure with 80.5%, while invoiced life insurance premiums accounted for 19.5%.

In April 2020, Montenegro stock exchange recorded a turnover of 287.155 euros through 68 transactions. The turnover was 80.7% lower than at the end of the previous month and 99.8% lower than in April 2019. As at 30 April 2020, stock exchange capitalisation amounted to 3,375.4 million euros, recording a monthly and annual increase of 1.5% and 8.3%, respectively. As at end-April 2020, the MONEX SE index stood at 10,262.74 index points, recording a monthly increase of 2% and a y-o-y decline of 4%. The MNSE10 index amounted to 678,49 index points, and it increased by 3.2% in relation to the previous month, but it decreased by 18.8% compared year-on-year.

In June 2020, according to the Ministry of Finance estimates, Montenegrin fiscal deficit amounted to 46.6 million euros. Source revenues of the budget of Montenegro amounted to 124.5 million euros or 2.7% of estimated annual GDP, being by 39.2% below the plan for April. In relation to April 2019, source

revenues recorded a decrease of 24.6%. At the same time, budget expenditure amounted to 178.1 million euros or 3.7% of GDP, recording an increase of 3.4% compared to March 2019, and staying below the plan by 11.6%.

According to the Ministry of Finance data, at the end of March 2020, Montenegro's (gross) government debt stood at 3,345.3 million euros or 72.6% of GDP. Out of that figure, a total of 535.6 million euros or 11.6% of GDP referred to domestic debt, while external debt accounted for 2,807.8 million euros or 60.9% of GDP. Net government debt amounted to 69% of GDP.

In April, the Central Bank continued with the activities aimed at meeting the requirements on the road towards Montenegro's accession to the EU. It prepared and submitted the contribution for the Progress Report in part relating to the CBCG competence.

With a view to fostering and maintaining a sound banking system, Montenegro's banking sector was subject to continuous oversight and analysis. International reserves management was performed based on the principles of liquidity and safety. The activities regarding the Central Bank's function of a fiscal agent were performed successfully. In April, the availability of the RTGS and DNS systems was 100%.

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 through media releases, publications, web presentations, and media appearances. Pursuant to the Law Supplementing the Payment System Law, the Central Bank continued to publish on its website the information on legal entities and entrepreneurs with frozen accounts in the amount over 10,000 euros for a continuous period exceeding 30 days.