

## The Governor's Report – August 2022

The Governor's Report for August 2022 gives an overview of key activities of the Central Bank concerning monthly implementation of objectives and tasks defined by the Central Bank of Montenegro Policy for 2022.

Activities of the Central Bank were conducted in line with the planned obligations determined by the Central Bank of Montenegro Work Programme for 2022.

According to the final Monstat data, the GDP of Montenegro recorded real growth of 13.0% in 2021 in relation to 2020. According to preliminary data, a real growth of 7.1% was recorded in Q1 this year, while growth of 12.7% was recorded in Q2 in relation to the same quarter of the previous year.

Consumer prices recorded monthly increase in of 0.2% and the year-on-year growth of 15.0%.

According to the preliminary Monstat data, during the first eight months of 2022, industrial output recorded a decrease of 2.7% compared to the same period last year. The decline was recorded in the sector of electricity, gas and steam supply (17.6%), while there was growth in manufacturing industry (6.7%) and mining and quarrying (12.8%).

According to preliminary data, the number of tourist arrivals in collective accommodation establishments amounted to 846,867 in the first eight months of 2022, which is 58.10% more than in the same period of the previous year. At the same time, tourist overnights reached 3.31 million, which the year-on-year growth of 45.18%.

Preliminary Monstat data show that passenger transport recorded a significant year-on-year growth in all types of transport in the first six months of 2020: railway (67.49%), road (72.41%) and passenger transport at airports (136.37%).

Preliminary Monstat data show that in the first six months of 2022, construction recorded y-o-y decline of 6.9% in the value of executed construction works (1.83%), as well as a 3.21% decrease in effective working hours.

The average number of employed persons amounted to 230,984, which is a decrease of 1.85% compared to the previous month and 19.40% more in relation to August 2021. The number of unemployed persons amounted to 44,449, which represents a decrease of 1.48% in relation to July 2022 and a decrease of 17.67% compared to August 2021.

As at 31 August 2022, of 54,987 business entities were registered as active in the Central Registry of Business Entities and having active accounts in the Central Registry of Transaction Accounts, a total of 54,987 of which 15,582 or 28.34% were blocked. Compared to the previous month, the number of blocked business entities increased by 0.05% and by 1.62%, respectively, compared to the same month of 2021. The total amount of debt used as the basis for the blocking of accounts amounted to 929.42 million euros, showing a monthly and an annual increase of 0.96% and 14.41%, respectively.

Of the total number of business entities with blocked accounts (15,582) a total of 1,293 were under uninterrupted blockage up to 365 days, with blocked funds in the amount of 26,154,360.05 euros or 2.81% of the total amount of blocked funds, while the number of business entities under uninterrupted blockage for over 365 days amounted to 14,289 and the blocked funds amounted to 903,272,756.56 euros or 97.18% of the total amount of blocked funds of business entities.

Debt concentration was relatively high since the top 10 debtors (0.06% of total blocked business entities) accounted for 25.98% of the total debt. In addition, 50 of all blocked business entities (0.32%) accounted for 47.19% of the total debt used as the basis for account blocked.

Banks' total assets amounted to 6.02 billion euros, which represents the annual growth of 863.98 million euros or 16.76%. As for the structure of balance sheets of banks, total loans accounted for the main share and reached 3,646.88 million euros, recording the year-on-year growth of 3.38% and 2.25% increase m-o-m.

Past due loans (without interests, and prepayments and accruals) amounted to 173.20 million euros, which is a growth of 7.68% in relation to August 2021, while they decreased by 9.09% in relation to the previous month. Non-performing loans (without interests, and prepayments and accruals) amounted to 214.52 million euros and made up 5.88% of total loans. They recorded a 10.00% increase year-on-year, but they dropped by 1.10% compared to the previous month.

Deposits in banks amounted to 4,844.46 million euros, rising by 21.44% year-on-year and 5.05% m-o-m. Total capital of banks amounted to 610.32 million euros, which is a decrease of 3.07% in relation to the corresponding period of the previous year, and 1.35% increase in relation to the previous month.

The weighted average effective lending interest rate (WALEIR) on total loans amounted to 5.55%, which represents a monthly decrease of 0.01 pp and the year-on-year decline of 0.19 pp. The WALEIR on new loans amounted to 5.49%, recording the year-on-year decline of 0.40 pp and a 0.55 pp month-on-month increase. The weighted average deposit effective interest rate (WADEIR) amounted to 0.27%, recording a monthly decrease of 0.01 pp and the year-on-year decline of 0.08 pp.

Reserve requirement of banks amounted to 235.96 million euros, recording the year-on-year rise of 37.19 million euros or 18.71% and the month-on-month increase of 5.94 million euros or 2.58%. All banks allocated and maintained reserve requirements within the prescribed limits. Of the total allocated reserve requirements, 64.68% were allocated to the reserve requirement account in the country, whereas 35.32% was held on the CBCG foreign accounts.

Gross insurance premium amounted to 74.08 million euros during the first eight months of 2022. Non-life insurance premiums still accounted for the main share in its structure with 81.93%, while invoiced life insurance premiums accounted for the remaining 18.07%.

The generated turnover on the Montenegro Stock Exchange amounted to 30.72 million euros during the reporting eight-month period, done through 635 transactions and being 8.33% lower in relation to the same period of the previous year. Stock exchange capitalisation amounted to 3,283.51 million euros, recording a monthly decrease of 0.10%, but an annual increase of 2.60%.

At the same time, the MONEX index stood at 11,216.18 index points, recording a monthly and annual increases of 0.52% and 1.58%, respectively. The MNSE10 SE index amounted to 807.94 index points, recording a monthly decrease of 0.39% and the annual increase of 4.51%.

According to the Ministry of Finance preliminary data, current revenues of the budget for the first eight months of 2022 amounted to 1,283.67 million euros and they were 5.53% higher than planned and 9.50% higher y-o-y. Budget expenditure reached 1,293.11 million euros and they were 6.43% lower than planned and 5.06%

higher compared to the same period last year. The budget deficit amounted to 9.51 million euros or 0.17% of the estimated annual GDP.

According to the Ministry of Finance data, the gross government debt of Montenegro amounted to 4,014.65 million euros or 70.43% of GDP. Out of that figure, a total of 382.47 million euros or 6.71% of GDP referred to internal debt, while external debt accounted for 3,632.18 million euros or 63.72% of GDP. The net government debt of Montenegro amounted to 64.25% of GDP.

The Central Bank continued with the activities aimed at meeting the requirements on the road towards Montenegro's accession to the EU. The Office for European Integration has been submitted a supplement to the Report to the European Commission on Montenegro for 2022, for the reporting period from 01 June to 01 September 2022. In relation to the regular meeting of the Sub-Committee for Economic and Financial Issues and Statistics to be held on 18 October of this year, the CBCG submitted to the Ministry of Finance its contribution for items on the agenda within its mandate.

With a view to fostering and maintaining a sound banking system, Montenegro's banking sector was subject to continuous supervision and analysis. International reserves were managed in line with the principles of liquidity and safety. Activities regarding the Central Bank's function of the fiscal agent were also successfully performed. RTGS and DNS systems availability amounted to 100%.

In line with the highest transparency standards, the general public was timely informed about the activities, objectives, and results of the CBCG operations via public announcements, publications, web presentations, and media appearances. Pursuant to the Law Amending the Payment System Law, the Central Bank continued to publish on its website the information on legal persons and entrepreneurs whose accounts were blocked for the amounts exceeding 10,000 euros for a continuous period of over 30 days.