

The Governor's Report – June/July 2022

The Governor's Report for June and July 2022 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 2022, on a monthly basis.

In June and July, activities of the Central Bank were conducted pursuant to the planned obligations determined by the Central Bank of Montenegro Work Programme for 2022.

Final MONSTAT data for 2021 indicate that the year-on-year real GDP growth was 13.0%. In Q1 2022, according to preliminary data, a real growth was 7.1%, reaching 12.7% in Q2 2022 in relation to the same quarter of the previous year.

In July 2022, consumer prices were 1.5% higher month-on-month, and 14.9% higher year-on-year.

During the first seven months of 2022, industrial output recorded a year-on-year decrease of 3.6% according to preliminary data. The decrease was recorded in electricity, gas and steam supply sector (20.0%), while the respective increases of 8.1% and 10.7% were recorded in the manufacturing industry and mining and quarrying sectors.

According to preliminary data, the number of tourist arrivals in collective accommodation in the first seven months of 2022 amounted to 620,290, which is 78.62% more than in the same period of the previous year. At the same time, tourist overnights reached 2.3 million, representing the year-on-year growth of 66.20%.

Preliminary MONSTAT data indicate that the passenger transport recorded a significant year-on-year growth in all types of transport in the first six months of 2022: railway transport grew by 67.49%, road transport by 72.41% and passenger transport at airports increased by 136.37%.

Preliminary MONSTAT data show that in H1 2022, construction recorded year-on-year decrease of 1.83% in the value of executed construction works, as well as a 3.21% decrease in effective working hours.

In July 2022, the average number of employed persons amounted to 235,343, which is an increase of 1.98% month-on-month and 23.88% more year-on-year. In July 2022, the number of unemployed persons amounted to 45,116, which represents a decrease of 2.26% in relation to June 2022 and a decrease of 17.52% compared to July 2021.

Total number of business entities registered as active in the Central Registry of Business Entities and having active accounts in the Central Registry of Transaction Accounts as at 31 July 2022 was 54,606 of which 15,574 or 28.52% were blocked. Compared to the previous month, the number of blocked business entities decreased by 0.07%, while compared to the same month of 2021, its growth stood at 1.72%. At end-July 2022, the total amount of debt used as the basis for blocking of accounts amounted to 920.58 million euros, showing a monthly and an annual increase of 1.17% and 14.79%, respectively.

As at 31 July 2022, out of the total number of business entities with blocked accounts (15,574) a total of 1,333 business entities were under uninterrupted blockage up to 365 days, with frozen funds in the amount of 26,081,557.42 euros or 2.83% of the total amount of frozen funds. The number of business entities under uninterrupted blockage for over 365 days was 14,241 with frozen funds in the amount of 894,504,520.47 euros or 97.17% of the total amount of frozen funds of business entities.

As at the same date, debt concentration was relatively high since the top 10 debtors (0.06% of total blocked business entities) accounted for 25.78% of the total debt. In addition, 50 of all blocked business entities (0.32%) accounted for 47.07% of the total debt used as the basis for account blockage.

The total assets of banks at end-July 2022 amounted to 5.80 billion euros, which represents the annual growth of 806.69 million euros or 16.14%. In terms of the structure of balance sheet of banks, total loans made up the main share and reached 3,566.59 million euros at end-July this year, which is the year-on-year increase of 0.81% and the month-on-month growth of 4.43%.

At end-July 2022, past due loans (without interests, and prepayments and accruals) amounted to 190.52 million euros, which is an increase of 13.03% in relation to July 2021, while they recorded an increase of 3.79% in relation to the previous month. At end-July this year, non-performing loans (without interests, and prepayments and accruals) amounted to 216.90 million euros and made up 6.08% of total loans. They

recorded a 16.44% increase year-on-year, but they were 2.50% lower compared to the previous month.

Total banks' deposits amounted to 4,611.41 million euros in July 2022 and they recorded an annual increase of 20.41%, and a 3.31% growth in relation to June 2022. Total capital of banks amounted to 602.18 million euros, which is a decrease of 2.97% year-on-year, and 1.25% higher month-on-month.

The weighted average lending effective interest rate (WALEIR) on total loans amounted to 5.56% at end-July this year, which represents an annual decrease of 0.19 pp and the month-on-month decline of 0.01 pp. The WALEIR on new loans amounted to 4.94%, recording the year-on-year drop of 0.44 pp and a 0.55 pp decrease month-on-month. The weighted average deposit effective interest rate (WADEIR) amounted to 0.29%, recording an annual decrease of 0.08 pp and the month-on-month decline of 0.02 pp.

At end-July 2022, reserve requirement of banks amounted to 230.02 million euros, recording an annual rise of 36.66 million euros or 18.96% and a monthly increase of 1.66 million euros or 0.73%. During July 2022, all banks allocated and maintained reserve requirement within prescribed limits. Of the total allocated reserve requirement, 63.77% were allocated to the reserve requirement account in the country, whereas 36.23% was held on the CBCG foreign accounts.

Gross insurance premium amounted to 65.28 million euros during the first seven months of 2022. Non-life insurance premiums accounted for the main share in its structure with 82.17%, while invoiced life insurance premiums accounted for 17.83%.

The generated turnover on the Montenegro Stock Exchange amounted to 30.25 million euros during the reporting period, achieved through 564 transactions and being 8.82% lower in relation to the same period of the previous year. As at 31 July 2022, market capitalisation amounted to 3,286.67 million euros, recording an annual increase of 3.71%, but also a monthly growth of 0.17%.

At the same time, the MONEX SE index stood at 11,158.19 index points, recording a respective annual and monthly growth of 2.61% and 0.54%. The MNSE10 SE index amounted to 811.12 index points, recording an annual increase of 8.89% and a monthly increase of 0.56%.

According to the Ministry of Finance preliminary data, current revenues of the budget for the first seven months of 2022 amounted to 1,088.26 million euros and they were 6.57% higher than planned and 10.80% higher year-on-year. Budget expenditure reached 1,146.08 million euros, being 5.53% lower than planned and 4.04% higher y-o-y. The budget deficit amounted to 57.92 million euros or 1.02% of the estimated annual GDP.

According to the Ministry of Finance data, at the end-June 2022, Montenegro's gross government debt 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.

In June and July, the Central Bank continued with the activities aimed at meeting the requirements on the road towards Montenegro's accession to the EU. Among other things, the CBCG representatives took part at the Sub-Committee for Internal Market and Competition online meeting held on 9 June 2022 in Brussels.

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. In June and July, 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 Supplementing the Payment System Law, the Central Bank continued to publish on its website the information on legal entities and entrepreneurs whose accounts were blocked for the amounts exceeding 10,000 euros for a continuous period of over 30 days.