

The Governor's Report – November 2022

The Governor's Report for November 2022 provides an overview of key activities of the Central Bank concerning the implementation of objectives and tasks defined by the Central Bank of Montenegro Policy for 2022, on monthly level.

In November, 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%. Preliminary data indicate that a real year-on-year growth of 7.1% was recorded in Q1 this year, 12.1% in Q2, while a growth of 3.2% was recorded in Q3 2022.

In November 2022, consumer prices were 0.9% higher compared month-on-month, and 17.5% higher y-o-y.

During the first eleven months of 2022, industrial output recorded the year-on-year decrease of 4.2% according to preliminary MONSTAT data. Production decrease of 15.4% was recorded in the electricity, gas and steam supply sector, while growths were recorded in manufacturing industry and the mining and quarrying sector of 1.7% and 10.3%, respectively.

According to preliminary data, the number of tourist arrivals in collective accommodation facilities amounted to 1.13 million in the first eleven months of 2022, which is 59.26% more than in the same period last year. At the same time, tourist overnights reached 4.23 million euros, which is the year-on-year growth of 46.12%.

According to preliminary MONSTAT data, passenger transport recorded a significant year-on-year increase in all types of transport in the first eleven months of 2022, whereby which via railways increased by 41.72%, road by 58.14% and passenger transport at airports rose 41.47%.

Preliminary MONSTAT data show that in the same nine-month period, construction recorded the year-on-year decline of 3.08% in the value of executed construction works, as well as a 3.14% decrease in effective working hours.

In November 2022, the average number of employed persons amounted to 227,500, which is an increase of 0.51% compared to the previous month and 8.68% more in relation to November 2021. In November 2022, the number of unemployed persons in Montenegro amounted to 46,389, which represents an increase of 3.26% in relation to the previous month and a decrease of 17.10% compared to November 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 30 November 2022 was 57,382 of which 15,975 or 27.84% were blocked. Compared to the previous month, the number of blocked business entities increased by 0.64% and by 2.52% compared to the same month in 2021. At end-November 2022, the total amount of debt used as the basis for freezing the accounts of economic entity amounted to 966.11 million euros, showing both monthly and annual increase of 1.76% and 14.52%, respectively.

As at 30 November 2022, out of the total number of economic entities with frozen accounts (15,975) a total of 1,431 business entities were under uninterrupted blockage up to 365 days, with frozen funds in the amount of 30,241,799.39 euros or 3.13% of the total amount of frozen funds. The number of economic entities under uninterrupted blockage for over 365 days was 14,544 with frozen funds in the amount of 935,870,844.12 euros or 96.87% of the total amount of frozen funds of economic entities.

As at the same date, debt concentration was relatively high since the top 10 debtors (0.06% of total blocked economic entities) accounted for 26.67% of the total debt. In addition, 50 of all blocked business entities (0.32%) accounted for 48.08% of the total debt used as the basis for account freeze.

The total assets of banks at end-November 2022 amounted to 6.24 billion euros, which represents the annual growth of 929.12 million euros or 17.51%. In terms of the structure of balance sheet of banks, loans made up the main share and reached 3,685.85 million euros at end-November this year, which is the month-on-month increase of 1.44% and the year-on-year growth of 6.03%.

Total banks' deposits amounted to 5,069.74 million euros in November 2022 and they recorded an annual increase of 21.26%, and a 1.33% growth in relation to the previous month. Total capital of banks amounted to 651.38 million euros, which is an increase of 4.98% year-on-year, and 3.55% higher month-on-month.

At end-November 2022, past due loans (without interests, and prepayments and accruals) amounted to 194.12 million euros, which is an increase of 22.93% in relation to November 2021, while they recorded an increase of 5.27% in relation to the previous month. At end-November 2022, non-performing loans (without interests and prepayments and accruals) amounted to 211.72 million euros and accounted for 5.74% of total loans. They recorded a 1.87% increase year-on-year, but they were 5.12% lower compared to the previous month.

The weighted average lending effective interest rate on total loans granted amounted to 5.81%, which represents a monthly increase of 0.13 pp and the year-on-year growth of 0.12 pp. The weighted average lending effective interest rate on new loans amounted to 6.44%, recording the year-on-year increase of 1.25 pp and a 0.85 pp increase month-on-month. The weighted average deposit effective interest rate (WADEIR) amounted to 0.27%, recording a monthly increase of 0.02 pp and the year-on-year decline of 0.07 pp.

At end-November 2022, reserve requirement of banks amounted to 260.97 million euros, recording an annual rise of 41.29 million euros or 18.80% and a monthly increase of 3.59 million euros or 1.40%. During November 2022, all banks allocated and maintained reserve requirements within prescribed limits. Of the total allocated reserve requirement, 68.07% were allocated to the reserve requirement account in the country and the remaining 31.93% was held on the CBCG foreign accounts.

Gross insurance premium amounted to 99.57 million euros in the first eleven months of 2022. Non-life insurance premiums accounted for the main share in its structure with 81.16%, while invoiced life insurance premiums accounted for the remaining 18.84%.

The value of trade on the Montenegro Stock Exchange amounted to 65.22 million euros during the reporting eleven-month period, achieved through 845 transactions and being 42.36% higher in relation to the same period of the previous year. As at 30 November 2022, stock exchange capitalisation amounted to 3,310.18 million euros, recording a monthly decrease of 0.76%, but also an annual growth of 5.56%.

At the same time, the MONEX SE index stood at 12,616.62 index points, recording an annual increase of 19.43% and monthly decrease of 0.29%. The MNSE10 SE index amounted to 890.59 index points, recording an annual increase of 16.63% and a monthly decrease of 1.21%.

According to the Ministry of Finance preliminary data, current revenues of the budget for the first eleven months of 2022 amounted to 1,789.96 million euros and they were 3.17% higher than planned and 7.64% higher year-on-year. Budget expenditures reached 1,884.36 million euros and they were 9.09% lower than planned and 8.53% higher at the annual level. The budget deficit amounted to 94.40 million euros or 1.66% of the estimated annual GDP.

According to the Ministry of Finance data, Government debt amounted to 3,999.75 million euros or 70.17% of GDP at end-September this year. Of this amount, a total of 375.25 million euros or 6.58% of GDP referred to domestic debt, while external debt accounted for 3,624.50 million euros or 63.58%. Public debt of Montenegro amounted to 4,162.79 million euros or 84.01% of GDP as at end-2021.

The Central Bank continued with activities aimed at meeting the requirements on Montenegro's road towards EU accession. Among other things related to the realization of *bilateral activities within "Programme for Strengthening the Central Bank Capacities in the Western Balkans with a view to the Integration to the European System of Central Banks - Phase II"* in the area of Monetary Statistics, a preparatory meeting was held with experts from the Croatian National Bank and an Action Plan was prepared for the implementation of activities. Within the framework of bilateral technical cooperation with partner central banks, a visit of experts from the Croatian National Bank on topics related to the prevention of money laundering and terrorist financing was carried out.

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 November.

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.