

The Governor's Report – October 2022

The Governor's Report for October 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 October, activities of the Central Bank were conducted pursuant to the planned obligations determined by the Central Bank of Montenegro Work Programme for 2022.

According to the final MONSTAT data, GDP of Montenegro recorded a real year-on-year growth of 13% in 2021. 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 October 2022, consumer prices were 1.4% higher in relation to the previous month, and 16.8% higher year-on-year.

During the first ten months of 2022, industrial output recorded the year-on-year decrease of 4.8% according to preliminary MONSTAT data. Production decrease of 18.4% was recorded in the electricity, gas and steam supply sector, while growths were recorded in manufacturing industry and the mining and quarrying sector of 2.9% and 9.9%, respectively.

According to preliminary data, the number of tourist arrivals in collective accommodation facilities amounted to 1.08 million in the first ten months of 2022, which is 59.20% more than in the same period last year. At the same time, tourist overnights reached 4.11 million, which is the year-on-year growth of 46.06%.

According to preliminary MONSTAT data, passenger transport recorded a significant year-on-year increase in all types of transport in the first nine months of 2022, whereby that 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 October this year, the average number of employed persons amounted to 226,341, which is a decrease of 0.07% compared to the previous month and 11.51% more in relation to October 2021. The number of unemployed persons amounted to 44,923, which represents an increase of 1.49% in relation to the previous month and a decrease of 18.68% year-on-year.

As at 31 October this year, of 56,933 active business entities on the records of the Central Registry of Business Entities and having active accounts in the Central Registry of Transaction Accounts, a total of 15,873 or 27.88% were blocked. Compared to the previous month, the number of blocked business entities increased by 1.50% and by 2.86% compared to the same month in 2021. At end-October 2022, the total amount of debt used as the basis for freezing the accounts of business entities amounted to 949.41 million euros, showing both monthly and annual increase of 0.99% and 13.37%, respectively.

As at 31 October 2022, of the total number of business entities with frozen accounts as at the reporting date (15,873) a total of 1,422 were under uninterrupted blockage up to 365 days, with blocked funds in the amount of 28,594,564.10 euros or 3.01% of the total amount of blocked funds, while the number of business entities under uninterrupted blockage for over 365 days amounted to 14,451 and the blocked funds amounted to 920,825,062.53 euros or 96.99%.

As at the same date, debt concentration was relatively high since the top 10 debtors (0.06% of total blocked business entities) accounted for 26.47% of the total debt. In addition, 50 of all blocked business entities (0.32%) accounted for 47.71% of the total debt used as the basis for account freeze.

Total assets of banks amounted to 6.15 billion euros at end-October 2022, which represents the annual growth of 948.95 million euros or 18.26%. As for the structure of assets, total loans accounted for the main share and reached 3,633.38 million euros at end-October this year, recording the year-on-year growth of 5.60% and 0.92% decline month-on-month.

Past due loans (without interests and accruals) amounted to 184.40 million euros, which is a decrease of 2.14% in relation to the previous month, while they recorded an increase of 21.38% in relation to October 2021. Non-performing loans (without interests, and prepayments and accruals) amounted to 223.13 million euros and made up 6.14% of total loans. They recorded a 14.75% increase year-on-year and a 3.61% growth month-on-month.

Total banking deposits amounted to 5,003.22 million euros in October this year and they recorded both monthly and year-on-year growths of 0.74% and

23.20%, respectively. Total capital of banks amounted to 629.06 million euros at end-October this year, which is a decrease of 1.59% in relation to the comparative period last year and a 2.59% increase month-on-month.

The weighted average lending effective interest rate on total loans granted amounted to 5.68%, which represents a monthly increase of 0.08 pp and the year-on-year decline of 0.03 pp. The weighted average lending effective interest rate on new loans amounted to 5.59%, recording the year-on-year increase of 0.59 pp and a 0.19 pp increase month-on-month. The weighted average deposit effective interest rate amounted to 0.25% and it saw both monthly and the year-on-year declines of 0.01 pp and 0.08 pp, respectively.

At the same time, reserve requirement of banks amounted to 257.37 million euros, recording the year-on-year rise of 43.87 million euros or 20.55% and the month-on-month increase of 8.93 million euros or 3.60%. During October 2022, all banks allocated and maintained reserve requirements within prescribed limits. Of the total allocated reserve requirement, 67.62% were allocated to the reserve requirement account in the country and the remaining 32.38% was held on the CBCG foreign accounts.

Gross insurance premium amounted to 91.37 million euros in the first ten months of 2022. Non-life insurance premiums accounted for the main share in its structure with 81.44%, while invoiced life insurance premiums accounted for the remainder 18.56%.

The value of trade on the Montenegro Stock Exchange amounted to 51.17 million euros during the reporting ten-month period, achieved through 771 transactions and being 28.17% higher in relation to the same period of the previous year. As at 31 October 2022, stock exchange capitalisation amounted to 3,335.61 million euros, recording both monthly and annual growths of 1.70% and 4.87%, respectively.

At the same time, the MONEX SE index stood at 12,652.90 index points, recording a 10.37% monthly growth, and the annual increase of 12.52%. The MNSE10 SE index amounted to 901.52 index points, recording both monthly and annual increase of 11.59% and 15.99%, respectively.

According to the Ministry of Finance preliminary data, current revenues of the budget in the first ten months of 2022 amounted to 1,627.56 million euros and they were 1.81% higher than planned and 8.19% higher year-on-year. Budget expenditure reached 1,683.56 million euros and they were 5.61% lower than

planned and 7.63% higher at the annual level. The budget deficit amounted to 56 million euros or 0.98% of the estimated annual GDP.

According to the Ministry of Finance data, Montenegro's 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% of GDP. Government 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 the EU accession. Among other activities, representatives of the Central Bank participated in the meeting of the Subcommittee for Economic and Financial Issues and Statistics in Brussels. As a part of the technical support provided by De Nederlandsche Bank, the first session concerning the aspects of implementing *SEPA-related* regulations was held online with DNB experts. Virtual bilateral cooperation covering the *Service Desk* organisation and managing the levels of support for users was held with the Deutsche Bundesbank experts. The other virtual bilateral cooperation regarding the talent management and work performance was held with the National Bank of Ukraine.

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 October.

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.