

## The Governor's Report – September 2022

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

In September, 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 13.0% in 2021. Preliminary data indicate that a real year-on-year growth of 7.1% was recorded in Q1 this year and 12.1% in Q2.

In September this year, consumer prices were 1.4% higher in relation to the previous month and 16.0% higher year-over-year.

During the first nine months of the current year, industrial production recorded a 3.8% decline compared to the same period last year. Production decrease of 17.8% was recorded in the electricity, gas and steam supply sector, while growths were recorded in manufacturing industry and the mining and quarrying sector of 4.5% and 11.1%, respectively.

According to preliminary data, the number of tourist arrivals in collective accommodation facilities amounted to 987,524 in the first nine months of 2022, which is 56.26% more than in the same period last year. At the same time, tourist overnights reached 3.8 million, which the year-on-year growth of 43.66%.

According to preliminary MONSTAT data, passenger transport recorded a significant year-on-year increase in all types of transport in the first six months of 2022, whereby that via railways increased by 67.49%, road by 72.41% and passenger transport at airports rose 136.37%.

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

In September this year, the average number of employed persons amounted to 226,500, which is a decrease of 1.94% compared to the previous month and 14.08% more in relation to the same month last year. The number of unemployed persons amounted to 44,265, which represents a decrease of 0.41% in relation to the previous month and a decrease of 17.96% year-on-year.

As at 30 September this year, of 55,336 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 15,638 or 28.26% were blocked. Compared to the previous month, the number of blocked business entities increased by 0.36% and by 1.65% compared to the same month in 2021. The total amount of debt used as the basis for freezing the accounts of business entities amounted to 940.07 million euros, showing both monthly and annual increase of 1.14% and 14.08%, respectively.

Of the total number of business entities with frozen accounts as at the reporting date (15,638) a total of 1,323 were under uninterrupted blockage up to 365 days, with blocked funds in the amount of 27,851,300.14 euros or 2.96% of the total amount of blocked funds, while the number of business entities under uninterrupted blockage for over 365 days amounted to 14,315 and the blocked funds amounted to 912,220,243.91 euros or 97.04%.

As at the same date, debt concentration was relatively high since the top 10 debtors (0.06% of total blocked business entities) accounted for 26.20% of the total debt. In addition, 50 of all blocked business entities (0.32%) accounted for 47.31% of the total debt used as the basis for account freeze.

Total assets of banks amounted to 6.10 billion euros at end-September 2022, which represents the annual growth of 945.10 million euros or 18.32%. As for the structure of assets, total loans accounted for the main share and reached 3,667.23 million euros at end-September this year, recording the year-on-year growth of 4.82% and 0.56% increase month-on-month.

Past due loans (without interests and accruals) amounted to 187.43 million euros, which is an increase of 8.22% in relation to the previous month, while they recorded an increase of 36.47% in relation to September last year. Non-performing loans (without interests, and prepayments and accruals) amounted to 215.50 million euros and made up 5.88% of total loans. They recorded a 9.55% increase year-on-year and a 0.45% growth month-on-month.

Total banking deposits amounted to 4,966.38 million euros at end-September this year and they recorded both monthly and year-on-year growths of 2.52% and 24.43%, respectively. Total capital of banks amounted to 613.69 million

euros at end-September this year, which is a decrease of 2.38% in relation to the comparative period last year and a 0.55% increase month-on-month.

The weighted average lending effective interest rate on total loans granted amounted to 5.60%, which represents a monthly increase of 0.05 pp and the year-on-year decline of 0.12 pp. The weighted average lending effective interest rate on new loans amounted to 5.40%, recording the year-on-year decline of 0.50 pp and a 0.09 pp decrease month-on-month. The weighted average deposit effective interest rate amounted to 0.26% and it saw both monthly and the year-on-year decline of 0.01 pp and 0.09 pp, respectively.

At the same time, reserve requirement of banks amounted to 248.44 million euros, recording the year-on-year rise of 38.83 million euros or 18.52% and the month-on-month increase of 12.48 million euros or 5.29%. During September 2022, all banks allocated and maintained reserve requirements within prescribed limits. Of the total allocated reserve requirements, 66.50% were allocated to the reserve requirement account in the country and the remaining 33.50% was held on the CBCG foreign accounts.

Gross insurance premium amounted to 82.79 million euros in the first nine months of 2022. Non-life insurance premiums accounted for the main share in its structure with 81.68%, while invoiced life insurance premiums accounted for the remainder 18.32%.

The value of trade on the Montenegro Stock Exchange amounted to 49.96 million euros during the reporting nine-month period, achieved through 564 transactions and being 46.49% higher in relation to the same period of the previous year. As at 30 September 2022, stock exchange capitalisation amounted to 3,279.83 million euros, recording both monthly and annual declines of 0.11% and 2.27%, respectively.

At the same time, the MONEX SE index stood at 11,463.83 index points, recording a 2.21% monthly growth, and the annual increase of 1.32%. The MNSE10 SE index amounted to 807.87 index points, recording a monthly decline of 0.01% and the annual increase of 1.58%.

According to the Ministry of Finance preliminary data, current revenues of the budget in the first nine months of 2022 amounted to 1,459.28 million euros and they were 5.01% higher than planned and 8.55% higher year-on-year. Budget expenditure reached 1,495.25 million euros and they were 4.51% lower than planned and 6.07% higher at the annual level. The budget deficit amounted to 36.05 million euros or 0.63% of the estimated annual GDP.

According to the Ministry of Finance data, Montenegro's gross 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%. Net government debt amounted to 64,79% of GDP.

The Central Bank continued with activities aimed at meeting the requirements on Montenegro's road towards EU accession. Among other things, the third expert mission was carried out in cooperation with the Croatian National Bank entitled *Support to implementation of the new Law on Credit Institutions and accompanying bylaws*. On the occasion of the meeting of the Subcommittee for Economic and Financial Affairs and Statistics to be held in Brussels, the CBCG contribution in Montenegrin and English was submitted to the Ministry of Finance. An online meeting was held with experts from De Nederlandsche Bank (DNB) on the occasion of DNB's technical support in the area of harmonisation with SEPA requirements. Also, a bilateral visit was made to De Nederlandsche Bank. Representatives of the Central Bank attended the conference in Rome and the first meeting of the Steering Committee on the occasion of the implementation of the second phase of the IPA regional project entitled *“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”*.

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. The RTGS and DNS systems' availability was 100% in September.

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 had been blocked for the amounts exceeding 10,000 euros and for a continuous period of over 30 days.