

## The Governor's Report – April 2023

The Governor's Report for April 2023 provides a monthly overview of key activities of the Central Bank concerning the implementation of objectives and targets defined under the Central Bank of Montenegro Policy for 2023, on monthly level.

In April, activities of the Central Bank were conducted pursuant to the planned obligations determined by the Central Bank of Montenegro Work Programme for 2023.

Preliminary MONSTAT data for 2022 indicate that the year-on-year growth of GDP was 6.1%, as per quarterly estimates. In Q1 2023, according to preliminary data, a real growth was 6.1% in relation to Q1 2022.

In April 2022, consumer prices were 0.2% higher compared month-on-month, and 8.6% higher y-o-y.

According to preliminary MONSTAT data, industrial output recorded the year-on-year growth of 3.9% during the first four months of 2023. Production growth of 23.8% was recorded in the electricity, gas and steam supply sector, while decline were recorded in manufacturing industry and the mining and quarrying sector of 10.4% and 12.9%, respectively.

According to preliminary data, the number of tourist arrivals in collective accommodation in the first four months of 2023 amounted to 248,346, which is 59.12% more than in the same period of the previous year. At the same time, tourist overnights reached 639,288, which the year-on-year growth of 49.48%.

MONSTAT's preliminary data indicate that passenger transport in Q1 2023 recorded significant year-on-year growth in all types of transport. Passenger transport via railways rose by 16.67%, road passenger transport rose by 6.56% while air passenger transport rose by 78.41%.

According to preliminary MONSTAT data for Q1 2023, construction recorded the year-on-year decrease of 7.04%, measured in terms of the value of executed construction works, as well as a drop in effective working hours of 1.52%.

In April 2023, the average number of employed persons amounted to 238,455, which is a monthly increase of 1.54% and a y-o-y increase of 9.62%. The

number of unemployed persons amounted to 42,594 in April 2023, dropping by 2.88% m-o-m, and by 15.74% y-o-y.

The total number of economic entities that are listed as active in the Central Register of Economic Entities, and that have active accounts in the Central Register of Transaction Accounts as of 30 April 2023, amounted to 59,992, of which 16,235 or 27.06% were blocked. Compared to the previous month, the number of blocked business entities decreased by 0.13%, while compared to the same month of 2022, its growth stood at 3.47%. At end-April 2023, the total amount of debt used as the basis for the blocking of accounts amounted to 1,035,183,963.76 euros, showing a monthly and the annual increase of 1.78% and 15.71%, respectively.

As at 30 April 2023, of the total number of business entities with blocked accounts (16,235) a total of 1,556 were under uninterrupted blockage up to 365 days, with blocked funds in the amount of 42,640,755.49 euros or 4.12% of the total amount of blocked funds, while the number of business entities under uninterrupted blockage for over 365 days amounted to 14,679 and the blocked funds amounted to 992,543,208.27 euros or 95.88% of the total amount of blocked funds of business 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 27.54% of the total debt used as the basis for account freeze. In addition, 50 of all blocked business entities (0.31%) accounted for 49.77% of the total debt used as the basis for account freeze.

The total assets of banks at end-April 2023<sup>2</sup> amounted to 6.43 billion euros, which represents the annual growth of 878.40 million euros or 15.82%. In terms of the structure of balance sheet of banks, total loans made up the main share and reached 3,906.32 million euros at end-April 2023, which is the year-on-year increase of 10.07% and the month-on-month growth of 1.79%.

At end-April 2023, non-performing loans (without interests, and prepayments and accruals) amounted to 216.15 million euros and they accounted for 5.53% of total loans. They recorded a 1.88% decrease year-on-year and a 0.25% growth month-on-month. Past due loans (without interests, and prepayments and accruals) amounted to 146.76 million euros at end-April 2023, which is the year-on-year decrease of 21.14% and 9.99% decline in relation to the previous month.

Bank deposits amounted to 5,212.66 million euros in April 2023 and they recorded an annual increase of 19.08% but also a 0.45% growth in relation to

the previous month. Total capital of banks amounted to 731.97 million euros, which is an increase of 22.52% in relation to the corresponding period of the previous year, but also an increase of 2.31% in relation to the previous month.

The weighted average lending effective interest rate (WALEIR) on total loans granted amounted to 6.22% at end-April 2023, which represents a y-o-y increase of 0.64 pp and the monthly increase of 0.05 pp. The WALEIR on new loans amounted to 6.59% at end-April 2023, recording the year-on-year rise of 0.88 pp and a 0.33 pp decrease month-on-month. The weighted average deposit effective interest rate (WADEIR) amounted to 0.28% at end-April 2023, recording the year-on-year decline of 0.02 pp and a monthly decrease of 0.02 pp.

At end-April 2023, reserve requirement of banks amounted to 271.40 million euros, recording the year-on-year rise of 46.92 million euros or 20.90% and the month-on-month increase of 1.33 million euros or 0.49%. During April 2023, all banks allocated and maintained reserve requirements within prescribed limits. In the total allocated reserve requirement, 69.30% was allocated to the reserve requirement account in the country, while 30.70% was allocated to the CBCG account abroad.

Gross insurance premium amounted to 39.10 million euros during the first four months of 2023. Non-life insurance premiums still accounted for the main share in its structure with 83.51%, while invoiced life insurance premiums accounted for the remaining 16.49%.

The generated turnover on the Montenegro Stock Exchange amounted to 3.52 million euros during the reporting four-month period, done through 888 transactions and being by 69.33% higher in relation to the same period of the previous year. As at 30 April 2023, stock exchange capitalisation amounted to 2,402.61 million euros, recording annual and monthly decreases of 26.61% and 2.27%, respectively.

At the same time, the MONEX SE index stood at 14,574.64 index points, recording a 44.92% annual growth and the monthly decline of 0.03%. The MNSE10 SE index amounted to 998.33 index points, recording annual increase of 26.26% and a monthly decrease of 3.35%.

According to the Ministry of Finance preliminary data, current revenues of the budget for the first four months of 2023 amounted to 797.41 million euros and they were 17.29% higher than planned and 34.02% higher year-on-year. Budget expenditures reached 684.23 million euros and they were 13.34% lower than

planned and 6.76% higher at the annual level. The fiscal surplus reached 113.18 million euros or 1.83% of the estimated annual GDP.

According to the Ministry of Finance data, at the end of March 2023, Montenegro's gross government debt amounted to 4,080.56 million euros or 66.09% of GDP. Out of that figure, a total of 461 million euros or 7.47% of GDP referred to internal debt, while external debt accounted for 3,619.56 million euros or 58.62% of GDP. Public debt of Montenegro amounted to 4,102.22 million euros or 70.77% of GDP as at end-December 2022.

In April, the Central Bank continued with the activities aimed at meeting the requirements on the road towards Montenegro's accession to the EU. Upon the request of the Delegation of EU to Montenegro, the CBCG submitted the contribution for the EC Report on Montenegro for the reporting period June 2022 - March 2023. The CBCG representatives participated at the meeting of alternate representatives at the Economic and Finance Board held on 25 April 2023. Within the implementation of the Phase II of the *IPA* regional project, a workshop on IT technologies was held at the Bulgarian National Bank. The contribution on regulatory activities was prepared for the needs of the Subcommittee for Internal Market and competition meeting to be held on 20 June 2023. A mission titled *Legislation in the Field of Additional Supervision of Financial Conglomerates*. was held in cooperation with the Croatian National Bank and the Croatian Financial Services Supervisory Agency (HANFA).

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 April, the availability of the RTGS and DNS systems was 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 media releases, 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.