

The Governor's Report – March 2023

The Governor's Report for March 2023 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 2023, on a monthly basis.

In March, 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 March 2023, consumer prices were 0.7% lower in relation to the previous month, and 10.5% higher y-o-y.

According to preliminary MONSTAT data, industrial output recorded the year-on-year growth of 9.5% during the first three months of 2023. Production growth of 34.4% was recorded in the electricity, gas and steam supply sector, while decline was recorded in manufacturing industry and the mining and quarrying sector of 8.7% and 14%, respectively.

According to preliminary data, the number of tourist arrivals in collective accommodation in the first three months of 2023 amounted to 135,786, which is 61.90% more than in the same period of the previous year. At the same time, tourist overnights reached 333,452, which the year-on-year growth of 46.31%.

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 2022, 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 March 2023, the average number of employed persons amounted to 234.839, which is an increase of 1.02% compared to the previous month and 9.27% more in relation to March 2022. In March 2023, the number of unemployed persons amounted to 43.857, which represents a decrease of 1.74% in relation to the previous month and a decrease of 17.88% compared to March 2022.

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 31 March 2023, amounted to 59,517, of which 16,256 or 27.31% were blocked. Compared to the previous month, the number of blocked business entities increased by 0.18% and by 3.45% compared to the same month of 2022. At end-March 2023, the total amount of debt used as the basis for the freezing of accounts amounted to 1,017,114,615.07 euros, showing a monthly and the annual increase of 2.93% and 10.55%, respectively.

As at 31 March 2023, of the total number of business entities with blocked accounts (16,256) a total of 1,576 were under uninterrupted blockage up to 365 days, with blocked funds in the amount of 39,529,754.55 euros or 3.89% of the total amount of blocked funds, while the number of business entities under uninterrupted blockage for over 365 days amounted to 14,680 and the blocked funds amounted to 977,584,860.52 euros or 96.11% 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 24.71% of the total debt used as the basis for account freeze. In addition, 50 of all blocked business entities (0.31%) accounted for 49.44% of the total debt used as the basis for account freeze.

The total assets of banks at end-March 2023 amounted to 6.38 billion euros, which represents the annual growth of 998.07 million euros or 18.53%. In terms of the structure of balance sheet of banks, total loans made up the main share and reached 3,837.59 million euros at end-March 2023, which is the month-on-month increase of 11.57% and the year-on-year growth of 0.73%.

At end-March 2023, non-performing loans (without interests, and prepayments and accruals) amounted to 215.61 million euros and made up 5.62% of total loans. They recorded a 3.60% decrease year-on-year and a 0.71% growth month-on-month.

In March 2023, banks' deposits amounted to 5.189,51 million euros recording a y-o-y growth of 21.23%, and a monthly decrease of 0.80%. At end-March 2023, total capital of banks amounted to 715.46 million euros, which is a y-o-y increase of 20.18% and a monthly increase of 1.64%.

The weighted average lending effective interest rate (WALEIR) on total loans granted amounted to 6.17% at end-March 2023, which represents a y-o-y increase of 0.58 pp and the monthly increase of 0.04 pp. The WALEIR on new loans amounted to 6.92% at end-March 2023, recording the year-on-year rise of 1.48

pp and a 0.13 pp decrease month-on-month. The weighted average deposit effective interest rate (WADEIR) amounted to 0.29%, recording a y-o-y decrease of 0.02 pp yet the monthly growth of 0.01 pp.

At end-March 2023, reserve requirement of banks amounted to 270.06 million euros, recording the year-on-year rise of 48.79 million euros or 22.05% and the month-on-month increase of 1.01 million euros or 0.37%. During March 2023, all banks allocated and maintained reserve requirements within prescribed limits. In the total allocated reserve requirement, 69.14% was allocated to the reserve requirement account in the country, while 30.86% was allocated to the CBCG account abroad.

Gross insurance premium amounted to 30.61 million euros during the first three months of 2023. Non-life insurance premiums still accounted for the main share in its structure with 84.38%, while invoiced life insurance premiums accounted for the remaining 15.62%.

The generated turnover on the Montenegro Stock Exchange amounted to 3.22 million euros during the reporting three-month period, done through 797 transactions and being by 63.81% higher in relation to the same period of the previous year. As at 31 March 2023, stock exchange capitalisation amounted to 2,458.41 million euros, recording annual and monthly decreases of 23.24% and 30.31%, respectively.

At the same time, the MONEX SE index stood at 14,579.17 index points, recording a 47.08% annual growth and the monthly decrease of 1.19%. The MNSE10 SE index amounted to 1,032.95 index points, recording a y-o-y increase of 32.63% and the monthly increase of 0.02%.

According to the Ministry of Finance preliminary data, current revenues of the budget for Q1 2022 amounted to 542.22 million euros and they were 12.38% higher than planned and 30.59% higher year-on-year. Budget expenditures reached 478.80 million euros and they were 16.657% lower than planned and 9.17% higher at the annual level. The fiscal surplus reached 63.64 million euros or 1.03% 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 March, 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 Ministry of European Affairs, for the preparation of the bilingual contribution to the 2023 EC Report for Montenegro, the CBCG submitted its contribution for the period June 2022 - March 2023. Within the implementation of the Phase II of the regional IPA project, the third Steering Committee Meeting was held in the Magyar Nemzeti Bank. Moreover, the Seminar titled "Financial Markets and FX reserve management - Focus on Monetary Policy Implementation" was held in Banca d'Italia. The Croatian National Bank experts conducted the first expert mission from 1-3 March 2023, thus continuing activities on further improving of the CBCG's resolution function. A bilateral visit to De Nederlandsche Bank on climate changes risks was held within the bilateral technical cooperation with partner central banks.

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 March.

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.