

Summary of the Governor's Report – April 2024

The Governor's Report for April 2024 gives an overview of key activities of the Central Bank concerning the implementation of targets and objectives defined by the Central Bank of Montenegro Policy for 2024, on a monthly basis.

In April this year, activities of the Central Bank were conducted in line with the planned obligations specified under the Central Bank of Montenegro Work Programme for 2024.

Preliminary MONSTAT data for 2023, based on quarterly estimates, indicate a 6% year-on-year real growth of GDP. Preliminary estimates of the quarter-on-quarter growth show that the real growth reached 4.4% in 2024Q1.

In April this year, consumer prices were 0.1% higher in relation to the previous month and 5.4% higher year-over-year.

During the first four months of the year, according to preliminary MONSTAT data, industrial output recorded the year-on-year growth of 3.1%. Production growth was recorded in manufacturing industry and the mining and quarrying sector of 20.5% and 18.2%, respectively, while output decline of 13.9% was seen in the electricity, gas and steam supply sector.

Preliminary data also show that the number of tourist arrivals amounted to 351,240 in the first four months of the current year, which is 5.11% less than in the same period of the previous year. This resulted in 2.11 million overnights, which is a drop of 14.66%. The number of foreign tourist arrivals decreased by 5.8%, while the number of foreign tourist overnights dropped by 16.05%

According to preliminary MONSTAT data, passenger transport recorded a significant year-over-year growth in all types of transport in the first quarter of 2024, with the railway passenger transport increasing 6.8%, road passenger transport rising 3.2%, while passenger traffic at airports increased by 5.03%.

Preliminary MONSTAT data indicate that construction recorded the year-on-year increase in the value of executed construction works of 3.49% as well as a 0.54% growth in effective working hours in the first quarter of the current year.

In April 2024, the average number of employed persons amounted to 252,985, which is a monthly increase of 0.75% and the year-over-year increase of 6.09%. The

number of unemployed persons amounted to 36,421, dropping by 1.9% month-on-month and by 14.49% year-on-year.

As at 30 April 2024, out of 63,543 business entities registered as active in the Central Registry of Business Entities and having active accounts in the Central Registry of Transaction Accounts, a total of 17,122 or 26.94% were blocked. Compared to the previous month, the number of blocked business entities was 0.5% higher, while compared to the same month of 2023, it was 5.46% higher. The total amount of debt used as the basis for the account freeze was 1,216,298,547.75 euros, showing a monthly increase of 1.62% and the annual growth of 17.5%.

As at 30 April 2024, of the total number of business entities with blocked accounts (17,122) 1,797 were under uninterrupted blockage up to 365 days, with frozen funds in the amount of 34,821,239.08 euros or 2.86% of the total amount of blocked funds, while the number of business entities under uninterrupted blockage for over 365 days amounted to 15,325 and the frozen funds amounted to 1,181,477,308.67 euros or 97.14%.

As at the same date, debt concentration was relatively high, considering that the top 10 debtors (0.06% of all recorded debtors) accounted for 30.36% of the total debt being the basis for freezing of accounts. Also, 50 of the frozen business entities (0.29%) accounted for 51.41% of the total debt that had served as the basis for freezing the accounts.

Total assets of banks amounted to 6,624.49 million euros at end-April this year, which represents the annual growth of 195.21 million euros or 3.04%. In the structure of banks' assets, total loans accounted for the main share of 4,368.65 million euros and they increased by 11.84% year-over-year and by 2.56% compared to March this year.

At end-April, past due loans (without interests, and prepayments and accruals) amounted to 162.31 million euros, which is a drop of 10.6% year-over-year, while they recorded a growth of 44.45% in relation to the previous month.

At the same time, non-performing loans (without interests, and prepayments and accruals) amounted to 207.67 million euros and made up 4.75% of total loans. These loans recorded both month-on-month and year-over-year decline of 1.16% and 3.92%, respectively.

Total bank deposits amounted to 5.334,69 million euros at end-April this year and they recorded monthly increase of 0.03% and the year-on-year increase of 3.04%. Total capital of banks amounted to 830.89 million euros, increasing by 1.36% in relation to the previous month and 13.51% year-on-year.

The weighted average lending effective interest rate (WALEIR) on total loans approved amounted to 6.64% at end-April this year, which represents a monthly decrease of 0.01 pp, but in relation to the same month last year, it rose 0.42 pp. The WALEIR on new loans amounted to 6.89%, which is a monthly decline of 0.54 pp but also a 0.30 pp increase year-over-year. The weighted average deposit effective interest rate (WADEIR) amounted to 0.26% at end-April this year, recording a monthly decline of 0.01 pp and the year-on-year decline of 0.02 pp.

Reserve requirement of banks amounted to 287.38 million euros, recording a monthly rise of 1.33 million euros or 0.47% and the year-on-year increase of 15.99 million euros or 5.89%. In April 2024, all banks allocated and maintained the prescribed amount of reserve requirements. Of total allocated reserve requirement, 71% was allocated to the reserve requirement account in the country, while 29% was deposited to the CBCG foreign accounts.

Gross insurance premium amounted to 45.99 million euros during the first four months of 2024. Non-life insurance premiums still accounted for the main share in its structure with 82.41%, while invoiced life insurance premiums accounted for the remaining 17.59%.

The generated turnover on the Montenegro Stock Exchange amounted to 1.94 million euros during the first four months of the current year, achieved through 348 transactions, being 44.88% lower in relation to the same period of the previous year. As at 30 April 2024, market capitalisation amounted to 2,520.58 million euros, recording a monthly decrease of 1.16%, but also the year-on-year growth of 4.91%.

At the same time, the MONEX SE index stood at 14,788.40 index points, recording a monthly decline of 0.59% but the annual increase of 1.47%. The MNSE10 SE index amounted to 992.19 index points, recording a monthly increase of 1.46% and the year-on-year decline of 0.62%.

According to the Ministry of Finance preliminary data, the current revenues of the budget amounted to 896.1 million euros in the first four months of 2024 and they were 10.7% higher than planned and 12.38% higher year-over-year. Budget

expenditures totalled 841.55 million euros and they were 7.65% lower than planned but 22.83% higher than in the same five-month period last year. The fiscal deficit reached 54.56 million euros or 0.78% of the estimated annual GDP.

According to the Ministry of Finance`s preliminary data, Montenegro's government debt amounted to 4,667.95 million euros or 66.36% of GDP at end-March 2024. Of this amount, a total of 511.29 million euros or 7.27% of GDP referred to domestic debt, while external debt accounted for 4,156.65 million euros or 59.09% of GDP. Net government debt amounted to 55.36% of GDP.

The Central Bank continued with its activities in May this year aimed at meeting the requirements on the Montenegro`s road towards EU accession. Among other things, within the component II of the regional IPA project, representatives of the CBCG participated in a high-level workshop organised by the National Bank of Austria and covering the topic of payment systems. Within the same project, a workshop on bank resolution was held at the Czech National Bank, and a workshop on the protection of financial service users, financial inclusion and financial literacy was held at the Bank of Portugal. Within the framework of bilateral technical cooperation with partner central banks, a bilateral visit to the Croatian National Bank was carried out on topics related to treasury operations.

With a view to fostering and maintaining a sound banking system, Montenegro's banking sector was subject to continuous supervision and analysis. International reserves management was performed following the principles of liquidity and safety. Activities regarding the Central Bank`s function as the fiscal agent were also performed successfully. In April this year, the availability of the RTGS and DNS systems was 100%.

In line with the highest transparency standards, the general public was timely informed about activities, objectives, and results of the CBCG operations via public announcements, publications, web presentations, and media appearances. In accordance with the Payment System Law, the Central Bank continued to publish on its website the information on legal entities and entrepreneurs whose accounts have been frozen.