

## Summary of the Governor's Report – June 2024

The Governor's Report for June 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 June this year, activities of the Central Bank were conducted in line with the planned obligations determined by 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 quarter-on-quarter estimates show that the real growth reached 4.4% in 2024Q1.

In June this year, consumer prices were 0.1% higher in relation to the previous month and 4.1% higher year-over-year.

During the first six months of the year, according to preliminary MONSTAT data, industrial output recorded the year-on-year decline of 6.7%. Output decline of 24.2% was recorded in electricity, gas and steam supply sector, while production growth was seen in the mining and quarrying sector and manufacturing industry of 10.6% and 8.3%, respectively.

Preliminary data also show that the number of tourist arrivals amounted to 885,186 in the first six months of the current year, which is 0.82% more than in the same period of the previous year. This resulted in 5.1 million overnights, which is a drop of 6.36%. The number of foreign tourist arrivals increased by 0.79%, while the number of foreign tourist overnights declined by 7.08%.

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 June this year, the average number of employed persons amounted to 265,527, which is an increase of 3.11% compared to the previous month and 5.06% more in

relation to the same month last year. At the same time, the number of unemployed persons amounted to 34,715, which represents a decrease of 1.98% in relation to the previous month and a 13.87% decline compared to June 2023.

As at 30 June 2024, of 64,275 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 17,170 or 26.71% were blocked. Compared to the previous month, the number of blocked business entities was 0.14% higher. At end-June this year, the total amount of debt used as the basis for the freezing of accounts amounted to 1,243,761,749.82 euros, showing monthly increase of 1.11%.

As at 30/06/24, of the total number of business entities with frozen accounts (17,170) a total of 1,751 were under uninterrupted blockage of up to 365 days, with frozen funds in the amount of 35,532,143.71 euros or 2.86% of the total amount of frozen funds, while those under uninterrupted blockage for over 365 days totalled 15,419, with frozen funds of 1,208,229,606.11, which is 97.14% of total blocked business entities.

As at 30 June 2024, debt concentration was relatively high, considering that the top 10 debtors (0.06% of total recorded debtors) accounted for 30.27% of the total debt being the basis for freezing of accounts. Also, 50 of the blocked business entities (0.29%) accounted for 50.7% of the total debt that had served as the basis for freezing the accounts.

Total assets of banks amounted to 6.71 billion euros at end-June this year, which represents the annual growth of 202.47 million euros or 3.11%. In the structure of the banks' assets, total loans accounted for the main share of 4.48 billion euros and they increased 12.52% year-over-year.

The share of loans that are over 30 days past due amounted to 2.43% at end-June this year, while a year ago it stood at 3.86%. The total sum of these past due loans reached 108.87 million euros, which is a 29.29% decline compared to end-June 2023.

The share of non-performing loans to total loans reached 4.29% at the system-level, being 0.94 pp lower than a year ago. The sum of non-performing loans was 192.16 million euros and it was 7.69% lower than at end-June 2023.

Deposits reached 5.38 billion euros, thus making up by far the largest part of banks' liabilities (80.26%). Compared to June last year, deposits rose 2.14% or 112.9 million euros. Total capital of banks amounted to 834.32 million euros, being 1.5% lower than in the previous month, and 10.41% higher year-on-year.

The weighted average lending effective interest rate (WALEIR) on total loans approved amounted to 6.61% at end-June this year, being 0.27 pp, higher year-over-year, yet being at the same level as in the previous month. At the same time, the weighted average lending effective interest rate (WALEIR) on new loans amounted to 6.87%, which represent a monthly increase of 0.63 pp and the year-over-year increase of 0.61 pp in relation to June 2023. The weighted average deposit effective interest rate (WADEIR) amounted to 0.25%, recording a monthly increase of 0.02 pp but also the year-on-year decline of 0.03 pp.

Reserve requirement of banks amounted to 287.64 million euros, recording a monthly rise of 2.43 million euros or 0.85% and the year-on-year increase of 17.48 million euros or 6.47%. During June this year, all banks allocated and maintained reserve requirements within prescribed limits. Of the total allocated reserve requirement, 29% was allocated to the reserve requirement account abroad, while 71% was at the CBCG account in the country.

Gross insurance premium amounted to 68.23 million euros during the first six months of 2024. Non-life insurance premiums accounted for the main share in its structure with 81.35%, while invoiced life insurance premiums accounted for the remaining 18.65%.

Trade recorded at the Montenegro Stock Exchange in the first six months of the current year was 5.66 million euros and it was achieved through 904 transactions. Compared to the same period last year, this is an increase of 15.24%. As at 30/06/24, market capitalisation amounted to 2.61 billion euros, recording both monthly and annual growths of 0.78% and 7.64%, respectively.

At the same time, the MONEX SE index stood at 15,207.20 index points, recording a 3.48% increase year-on-year and a 0.08% decline than in May this year. The MNSE10 SE index amounted to 1,016.17 index points, recording a monthly increase of 0.71% and the annual growth of 1.41%.

According to the Ministry of Finance preliminary data, the current revenues of the budget amounted to 1,309.18 million euros in the first six months of 2024 and they were 6.11% higher than planned and 5.88% higher year-over-year. Budget

expenditure totalled 1,278.73 million euros and they were 7.82% lower than planned but 19.34% higher than in the same six-month period last year. The fiscal surplus reached 30.45 million euros or 0.42% of the estimated annual GDP.

According to the Ministry of Finance data, the gross government debt of Montenegro amounted to 4,478.03 million euros or 61.51% of GDP. Of this amount, a total of 386 million euros or 5.31% of GDP referred to domestic debt, while external debt accounted for 4,091.32 million euros or 56.2% of GDP. Net government debt amounted to 52.81% of GDP.

In June this year, the Central Bank carried out activities aimed at meeting Montenegro's obligations on its road towards EU accession. Among other things, representatives of the CBCG participated in the meeting of the Subcommittee on Internal Market and Competition, which was held in Brussels and via an online platform (hybrid). The Ministry of Economic Development received a comment from the CBCG regarding the activity within the authority of the CBCG and under the Reform agenda for the Growth Plan for the Western Balkans for the policy area "Business environment and private sector development". A CBCG representative participated in the annual meeting of the Working Group for International Central Bank Cooperation within the International Relations Committee of the ESCB, which was held in Austria. Within the component II of the regional IPA project and the implementation of a bilateral action implemented with the National Bank of Austria in the field of personal data protection, representatives of the Working Group for harmonizing the CBCG operations with the requirements of the EU General Data Protection Regulation (GDPR) had in a study visit to the National Bank of Austria.

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 June this year, RTGS and DNS systems availability reached 99.54%.

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.