

Summary of the Governor's Report – May 2024

The Governor's Report for March 2024 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 2024, 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 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 March this year, consumer prices were 0.5% higher in relation to the previous month and 5.5% higher year-over-year.

During the first three months of the year, according to preliminary MONSTAT data, industrial output recorded the year-on-year growth of 4.9%. Production growth was recorded in manufacturing industry and the mining and quarrying sector of 23% and 19.7%, respectively, while output decline of 10.5% was seen in the electricity, gas and steam supply sector.

Preliminary data also show that the number of tourist arrivals amounted to 192,215 in the first three months of the current year, which is 11.98% less than in the same period of the previous year. This resulted in 1.32 million overnights, which is a drop of 19.12%. The number of foreign tourist arrivals decreased by 12.68%, while the number of foreign tourist overnights declined by 20.14%

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 March this year, the average number of employed persons amounted to 251,108, which is an increase of 1.08% compared to the previous month and 6.93% more in relation to March last year. At the same time, the number of unemployed persons amounted to 37,128 which represents a decrease of 2.33% in relation to the previous month and the year-over-year decline of 15.34%.

As at 31 March 2024, out of 63,241 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 17,037 or 26.94% were blocked. Compared to the previous month, the number of blocked business entities was 1.06% higher, while compared to the same month of 2023, this number was 4.8% higher. The total amount of debt used as the basis for the account freeze was 1,196,848,768.35 euros, showing a monthly increase of 1.04% and the annual growth of 17.67%.

As at 31 March 2024, of the total number of business entities with blocked accounts (17,037) 1,727 were under uninterrupted blockage up to 365 days, with frozen funds in the amount of 35,172,544.58 euros or 2.94% of the total amount of total frozen funds, while the number of business entities under uninterrupted blockage for over 365 days amounted to 15,310 and the frozen funds amounted to 1,161,676,223.77 euros or 97.06%.

As at the same date, debt concentration was relatively high, considering that the top 10 debtors (0.06% of total recorded debtors) accounted for 30.21% of the total debt being the basis for freezing of accounts. Also, 50 of the blocked business entities (0.29%) accounted for 50.42% of the total debt that had served as the basis for freezing the accounts.

Total assets of banks amounted to 6.621.16 million euros at end-March this year, which represents the annual growth of 237.91 million euros or 3.73%. In the structure of banks' assets, total loans accounted for the main share of 4,259.61 million euros and they increased by 11% year-over-year and by 2.29% compared to February this year.

At end-March this year, past due loans (without interests, and prepayments and accruals) amounted to 112.36 million euros, which is a decrease of 31.09% in relation to the same month last year and a 3.06% decline compared to the previous month.

Non-performing loans (without interests, and prepayments and accruals) amounted to 210.11 million euros and made up 4.93% of total loans. These loans recorded both month-on-month and year-over-year decline of 1.07% and 2.55%, respectively.

Total bank deposits amounted to 5,333.29 million euros at end-March this year and they recorded monthly decline of 1.2% but also the year-on-year increase of 2.77%. Total capital of banks amounted to 819.74 million euros, increasing by 14.58% year-on-year and recording the month-on-month decline of 3.42%.

The weighted average lending effective interest rate (WALEIR) on total loans approved amounted to 6.63% at end-March this year, which represents a monthly decrease of 0.02 pp, but also a 0.46 pp increase in relation to the same month last year. The WALEIR on new loans amounted to 7.43%, which is a monthly decline of 0.07 pp but also a 0.51 pp increase year-over-year. The weighted average deposit effective interest rate (WADEIR) amounted to 0.27% at end-March this year, recording a monthly decline of 0.02 pp and the year-on-year decline of 0.03 pp.

Reserve requirement of banks amounted to 286.05 million euros, recording a monthly decline of 2.20 million euros or 0.76% and the year-on-year increase of 15.99 million euros or 5.92%. During March 2024, all banks allocated and maintained reserve requirements within the prescribed limits. Of total allocated reserve requirement, 70.9% was allocated to the reserve requirement account in the country, while 29.1% was allocated to the CBCG's foreign accounts.

Gross insurance premium amounted to 34.46 million euros during the first three months of 2024. Non-life insurance premiums still accounted for the main share in its structure with 82.81%, while invoiced life insurance premiums accounted for the remaining 17.19%.

Trade recorded at the Montenegro Stock Exchange in the first three months of the current year totalled 892.41 thousand euros and it was achieved through 348 transactions, being 56.34% lower than in the same period last year. As at 31 March 2024, market capitalisation amounted to 2,550.04 million euros, recording both monthly and annual increase of 1.44% and 3.73%, respectively.

At the same time, the MONEX SE index stood at 14,701.86 index points, recording a 0.84% increase year-on-year and a 1.42% decline compared to February this year. The MNSE10 SE index amounted to 977.96 index points, recording a monthly decline of 1.42% and the year-on-year decline of 5.32%.

According to the Ministry of Finance preliminary data, the current revenues of the budget amounted to 578.59 million euros in the first three months of 2024 and they were 8.57% higher than planned and 6.66% higher year-over-year. Budget expenditures totalled 583.42 million euros and they were 11% lower than planned but 21.73% higher than in the same three-month period last year. The fiscal deficit reached 4.83 million euros or 0.07% of the estimated annual GDP.

According to the Ministry of Finance 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.

In March, the Central Bank continued with the activities aimed at meeting the requirements on the Montenegro's road to the EU accession. Among other things, the Action Plan for alignment with the EU acquis for chapter 17 – Economic and Monetary Policy was updated in the part related to the implementation of the regional IPA project. 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 bilateral visit to the Croatian National Bank was carried out with the aim of exchanging experiences and best practices in the implementation of the new regulatory indicator, the net stable funding ratio (NSFR), as well as on the issues related to amendments to the Law on Credit Institutions.

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 March this year, the availability of the RTGS and DNS systems was 99.76%.

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.