

Summary of the Governor's Report – May 2024

The Governor's Report for May 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 May this year, activities of the Central Bank were implemented in accordance 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 quarter-on-quarter estimates show that the real growth reached 4.4% in 2024Q1.

In May this year, consumer prices were 0.1% higher in relation to the previous month, and 4.9% higher year-over-year.

During the first five months of the year, according to preliminary MONSTAT data, industrial output recorded the year-on-year decline of 3.5%. Output decline of 22.5% was recorded in electricity, gas and steam supply sector, while production growth was seen in the mining and quarrying sector and manufacturing industry of 22.3% and 13.1%, respectively.

Preliminary data also show that the number of tourist arrivals amounted to 567,188 in the first five months of the current year, which is 1.44% less than in the same period of the previous year. This resulted in 3.22 million overnights, which is a drop of 10.89%. The number of foreign tourist arrivals decreased by 1.75%, while the number of foreign tourist overnights declined by 11.93%

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 May 2024, the average number of employed persons amounted to 257,521, which is an increase of 1.79% compared to the previous month and 5.44% more in relation

to May last year. At the same time, the number of unemployed persons amounted to 35,415 which represents a decrease of 2.76% in relation to the previous month and the year-over-year decline of 14.49%.

As at 31 May 2024, out of 63,830 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 17,146 or 26.86% were blocked. Compared to the previous month, the number of blocked business entities was 0.14% higher, while compared to the same month of 2023, it was 5.36% higher. At end-May this year, the total amount of debt used as the basis for the freezing of accounts amounted to 1,230,195,172.74 euros, showing both monthly and annual increases of 1.14% and 17.39%, respectively.

As at 31/05/24, of the total number of business entities with frozen accounts (17,146) a total of 1,781 were under uninterrupted blockage of up to 365 days, with frozen funds in the amount of 34,332,122.07 euros or 2.79% of the total amount of frozen funds, while those under uninterrupted blockage for over 365 days totalled 15,365, with frozen funds of 1,195,863,050.67, which is 97.21% of total blocked business entities.

Debt concentration was relatively high considering that the top 10 debtors (0.06% of total recorded debtors) accounted for 29.97% of the total debt being the basis for freezing of accounts. Also, 50 of the blocked business entities (0.29%) accounted for 50.46% of the total debt that had served as the basis for freezing the accounts.

Total assets of banks amounted to 6.653,76 million euros at end-May this year, which represents the annual growth of 223.86 million euros or 3.48%. In the structure of banks' assets, total loans accounted for the main share of 4,382.10 million euros and they increased by 13.39% year-over-year and by 0.31% compared to April this year.

At end-May this year, past due loans (without interests, and prepayments and accruals) amounted to 138.23 million euros, which is a decrease of 19.09% in relation to the same month last year and a 14.84% decline compared to the previous month.

Non-performing loans (without interests, and prepayments and accruals) amounted to 201.55 million euros and made up 4.6% of total loans. These loans recorded both month-on-month and year-over-year decline of 2.95% and 5.03%, respectively.

Total bank deposits amounted to 5.339,86 million euros at end-May this year and they recorded both monthly and year-on-year increase of 0.1% and 2.77%, respectively. Total capital of banks amounted to 846.99 million euros, increasing by 1.94% in relation to the previous month, and 13.76% year-on-year.

The weighted average lending effective interest rate (WALEIR) on total loans approved amounted to 6.61% at end-May this year, which represents a monthly decrease of 0.03 pp, but relation to the same month last year, it rose 0.31 pp. At the same time, the weighted average lending effective interest rate (WALEIR) on new loans amounted to 6.24%, which represent a monthly decrease of 0.65 pp, and the annual decline of 0.70 pp. The weighted average deposit effective interest rate (WADEIR) amounted to 0.23% at end-May this year, recording a monthly decline of 0.03 pp and the year-on-year decline of 0.09 pp.

Reserve requirement of banks amounted to 285.22 million euros, recording a monthly decline of 2.17 million euros or 0.23% but also the year-on-year increase of 16.11 million euros or 5.99%. During May 2024, all banks allocated and maintained reserve requirement within the prescribed limits. Of the total allocated reserve requirement, 70.78% was allocated to the reserve requirement account in the country, while 29.22% was allocated to the CBCG's foreign accounts.

Gross insurance premium amounted to 56.65 million euros during the first five months of 2024. Non-life insurance premiums accounted for the main share in its structure with 81.73%, while invoiced life insurance premiums accounted for the remainder 18.27%.

Trade recorded at the Montenegro Stock Exchange in the first five months of the current year totalled 4.02 million euros as it was achieved through 804 transactions. Compared to the same period last year, this is an increase of 3.7%. As at 31 May 2024, stock exchange capitalisation amounted to 2.59 billion euros, recording both monthly and annual increase of 2.87% and 7.51%, respectively.

At the same time, the MONEX SE index stood at 15,219.40 index points, recording a 2.91% monthly growth and the annual increase of 2.4%. The MNSE10 SE index amounted to 1,009.04 index points, recording a monthly increase of 1.7% and the year-on-year decline of 2.48%.

According to the Ministry of Finance preliminary data, the current revenues of the budget amounted to 1,089.41 million euros in the first five months of 2024 and they were 7.67% higher than planned and 10.71% higher year-over-year. Budget

expenditure totalled 1,056.35 million euros and they were 8.4% lower than planned but 20.72% higher than in the same five-month period last year. The fiscal surplus reached 33.06 million euros or 0.47% 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 this year. 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 accession to the EU. Among other things, an expert meeting was held at the invitation of the Bank of Spain with regard to foreign reserves management. Within the regional IPA projects, the second expert mission of the Croatian National Bank was held to cover the issue of payment systems.

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 May this year, RTGS and DNS systems availability reached 99.93%.

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.