

Summary of the Governor's Report – December 2017

Updated: 15 March 2018

The Governor's Report for December 2017 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 2017 and Guidelines for Implementation of the Central Bank of Montenegro Policy for 2017, on a monthly basis.

In December, activities of the Central Bank were conducted pursuant to the planned obligations determined by the Central Bank of Montenegro Work Programme for 2017.

According to the final Monstat data, the GDP of Montenegro recorded real growth of 2.9% in 2016. In Q1, Q2 and Q3 2017, according to the preliminary data, the real y-o-y growth amounted to 3.1%, 5.2%, and 4.7%, respectively.

In December 2017, prices decreased by 0.2% in relation to the previous month, while the annual inflation rate in December amounted to 1.9%.

In 2017, there was a year-on-year decrease of industrial output of 4.2%. The decline was recorded in the sector of manufacturing industry (-3%), and in the electricity, gas and steam supply sector (-24.6%), while there was an increase in the mining and quarrying sector (113.9%) In 2017, the number of tourist arrivals in collective accommodation establishments recorded an increase of 18.1% y-o-y, while overnights increased by 10.5%.

In 2017, according to Monstat preliminary data, the air passenger transport recorded an increase of 17.7% y-o-y, while the air cargo transport decreased by 3.7%. Over the same period, road passenger transport increased by 0.4%, while road freight transport decreased by 1.5%. In 2017, railway passenger transport recorded a decrease of 27.8% y-o-y, while railway freight transport increased by 14.9%.

In forestry, a total of 336,879 m³ of wood products was produced, which is 15.8% more than in the previous year. In 2017, according to preliminary Monstat data, construction recorded an increase of 51.5% y-o-y, measured in terms of the value of executed construction works, as well as an increase of effective working hours of 24.5% y-o-y.

In December 2017, the average number of employed persons amounted to 177,627, which is a decrease of 0.3 % compared to the previous month and 0.1% more in relation to December 2016. In December 2017, the number of unemployed persons amounted to 51,262 which represents a decrease of 1.8% in relation to the previous month and an increase of 3.6% compared to December 2016.

As at 31 December 2017, a total of 42,898 of business entities were registered as active in the Central Registry of Business entities, and which have active accounts in the Central Registry of Transaction Accounts, and compared to the situation as at 30 November 2017, when there was a total of 42,872 business entities, this represents an increase of 0.06%. The total debt being the basis for freezing of accounts of economic entities amounted to 539,432,616.00 euros, which is a decline of 11.30% compared to 30 November 2017, when the debt amounted to 608,173,268.23 euros.

Out of the total amount of business entities, a total of 12,719 was frozen, which is an increase of 0.06% in relation to the situation as at 30 November 2017, when the total number of business entities with frozen accounts amounted to 12,711.

As at 31 December 2017, debt concentration was relatively high, considering that top 10 debtors (0.06% of total recorded debtors) accounted for 16.19% of the total debt being the basis for freezing of accounts, which means that the amount of their frozen funds amounted to 87,347,576.34 euros. Also, 50 of the largest frozen business entities (0.31% of total frozen legal entities) accounted for 37.91% of the total debt being the basis for freezing of accounts, which means that the amount of their frozen funds amounted to 204,508,557.94 euros.

At end-December 2017, total assets and liabilities increased by 1.4% compared to the previous month and amounted to 4,182.1 million euros. In terms of the structure of aggregate balance sheet of banks, total loans make up the dominate share. At end-December 2017, total loans amounted to 2,700.6 million euros, which is 0.6% lower in relation to the previous month and 11.8% higher in relation to December of the previous year.

In the structure of liabilities, deposits made up the main share of 78.1%. Total banks' deposits amounted to 3,267.2 million euros at end-December 2017 and they recorded a monthly increase of 2.5%, and an increase of 13.8% in relation to December 2016. Total capital of banks at end-December 2017 amounted to 514.7 million euros, which is a decrease of 1.8% in relation to the previous month, while there was an increase of 5.6% in relation to the corresponding period of the previous year.

In December, past due loans (without interests, and prepayments and accruals) amounted to 188.4 million euros, which is a decrease of 10.6% in relation to the previous month, while they recorded a decline of 30.5% in relation to December-2016. At end-December 2017, non-performing loans (without interests, and prepayments and accruals) amounted to 197 million euros and made up 7.3% of total loans. In relation to the previous month, non-performing loans of banks increased by 3.6%, while they recorded an annual decrease of 20.8%.

The weighted average lending effective interest rate (WALEIR) on total loans approved amounted to 6.81% at end-December 2017, which represents a monthly decrease of 0.09 percentage points, while in relation to end-December 2016 it recorded a decrease of 0.65 percentage points. The weighted average effective lending interest rate (WALEIR) on new loans amounted to 6.23% in December 2017, which represent a monthly decline of 0.27 percentage points, and a decrease of 0.04 percentage points in relation to December 2016. The weighted average effective deposit interest rate (WAEDIR) amounted to 0.69% at end-December 2017, showing a decline of 0.03 percentage points in relation to the previous month, while it recorded a decline of 0.24 percentage points in relation to end-December 2016.

At end-December 2017, reserve requirement of banks amounted to 233.6 million euros, which represents a monthly increase of 962,000 euros or 0.4%, while in relation to the corresponding period of the previous year reserve requirements decreased by 32.1 million euros or 12.1%. During December 2017, all banks allocated and maintained reserve requirements within prescribed limits. In the total allocated reserve requirement, 51.5% was allocated to the reserve requirement account in the country, while 48.5% was at the CBCG account abroad.

In December 2017, the gross insurance premium amounted to 7.3 million euros. Its structure shows the main share of non-life insurance (73.6%), while the rest referred to invoiced life insurance premiums (26.4%).

In December 2017, Montenegro Stock Exchange recorded a turnover in the amount of 4.9 million euros, through 371 transactions. The turnover was 249% higher in relation to the previous month. As at 31 December 2017, market capitalization amounted to 2,854.9 million euros, recording 1.9% increase in relation to the previous month. The MONEX index, which stood at 10,175.43 index points at end-December 2017, declined by 0.4% in relation to the previous month. The MNSE10 index amounted to 776.69 index points and decreased by 2.6% in relation to the previous month.

In December 2017, according to the Ministry of Finance estimates, Montenegrin fiscal deficit amounted to 85.2 million euros or 2% of estimated annual GDP. Source revenues of the budget of Montenegro amounted to 185.5 million euros or 4.4% of estimated annual GDP, which represents an increase of 2% in relation to the plan for December. In relation to source revenues recorded in December 2016, there was an increase of 8.8%. Budget expenditure amounted to 270.7 million euros or 6.4% of the estimated annual GDP, which is an increase of 6.5% in relation to December of the previous year, and an increase of 73.8% in relation to the plan, which can be explained by an increased dynamics of the construction of the highway Bar-Boljare.

At end-2017, according to the Ministry of Finance data, the gross government debt of Montenegro amounted to 2,627.8 million euros or 62.5% of GDP. Out of that figure, domestic debt accounted for 413.9 million euros or 9.8% of GDP, while external debt accounted for 2,213.9 million euros or 52.7% of GDP. Net government debt amounted to 60.8% of GDP.

With a view to fostering and maintaining a sound banking system, Montenegro's banking sector was subject to ongoing oversight and analysis. International reserves management was performed based on the principles of liquidity and safety. The activities regarding the Central Bank's function of a fiscal agent were performed successfully. RTGS and DNS systems availability amounted to 100% in December.

In December, the Central Bank carried out significant activities aimed at meeting obligations on the road towards Montenegro's accession to the EU. The representatives of the CBCG participated at the meeting of the Stabilisation and Association Committee. The CBCG submitted to the Ministry of Finance the requested legal acts for further forwarding to the European Commission. At the invitation of the Ministry of Economy and Head of the Work group for preparation of negotiations for Chapter 20 - Enterprise and Industrial Policy, representatives of the CBCG participated at a meeting in relation to further activities related to the harmonisation of the national regulation with the EU acquis. As part of the IPA 2015 national support project, the work on project tasks in the area of international visible trade statistics continued. As per request of the Ministry of European Affairs, the CBCG submitted Annex for the Annual report to the EC in the area of the balance of payments. The representatives of the CBCG participated at the meeting of the Subgroup - DOMEN 2, in relation to Chapter 18 - Statistics, which was held in Monstat.

The general public was informed timely, and in line with the highest transparency standards about the activities, goals, and results of the CBCG's operations. This was done by means of public announcements, 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 with frozen accounts in the amount over 10,000 euros for a continuous period exceeding 30 days.