

REAL SECTOR DEVELOPMENTS

01

1.1. Gross Domestic Product

In the first nine months of 2024, economic trends point to slightly moderate growth of Montenegrin economy compared to the previous year when it recorded a 6.3% growth. Preliminary MONSTAT data show that real GDP growth in the reporting period was 3.1% observed year-on-year. Available statistical indicators point to positive results in transport, trade, and construction. At the same time, decline was recorded in tourists' arrivals and overnights (due to results in the individual accommodation, while collective accommodation recorded growth), production of forest assortments and total industrial output resulting from decrease in electricity, gas and steam supply sector. Still, labour market indicators recorded positive trend in the reporting period with the increase in the number of employees and wages and the decreased number of unemployed. Inflation continued to slow down.

However, international institutions' GDP growth for Montenegro in 2024 range between 3.4% and 3.9% (table 1.1)¹. The latest European Commission's report from November points to accelerated growth of Montenegro's economy in 2025 due to new measures from *Montenegro's Fiscal Strategy 2024-2027*, which application will start this October. The planned minimum wage increase (from 450 to 600 or 800 euros), reduction of pension insurance contributions (employee contributions to the Pension and Disability Insurance Fund will be reduced from 15% to 10%, while employers' contributions of 5.5% will be abolished), and the planned acceleration of investment dynamics in infrastructure projects is expected to encourage private spending and investments. Exports growth will be supported by tourism growth, while imports growth will be boosted by more significant domestic demand. The World Bank's Western Balkans Regular Economic Report from October forecast that personal consumption is expected to boost growth in 2025 to 3.5%, despite an expected multi-month closure of the thermal power plant (TPP) Pljevlja in 2025 for ecological reconstruction. Medium-term growth is expected to be sustained and stimulated by Montenegro's progress towards EU membership. The Report stated heightened geopolitical uncertainties that may weaken growth prospects for Montenegro's trading partners, and the high cost of external financing as main risks for recording forecasts.

Table 1.1

International financial institutions' forecasts of Montenegro's GDP in 2024, in %	
Institution	Estimated growth rates
World Bank	3.4
Wiiw	3.5
IMF	3.7
EBRD	3.8
European Commission	3.9

Source: Websites of the listed institutions

¹ IMF - *World Economic Outlook*, October 2024

World Bank - *Western Balkans Regular Economic Report*, No. 26 - Fall 2024, October 2024

EBRD - *Regional economic prospects*, September 2024

European Commission - *Autumn 2024 Economic Forecast*, November 2024

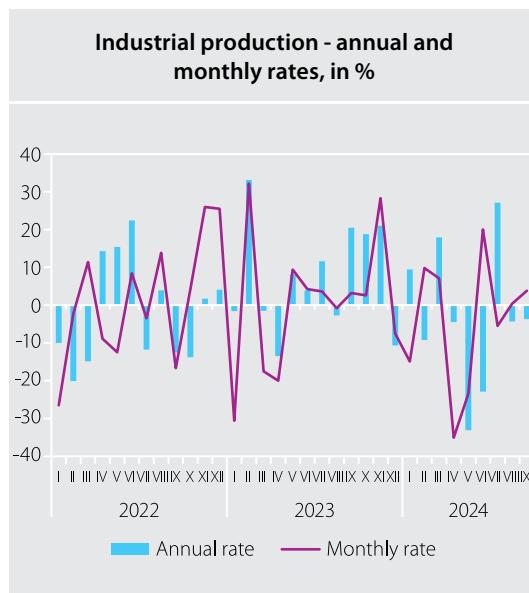
Vienna Institute - <https://wiiw.ac.at/montenegro-overview-ce-36.html>

The latest available data from June 2024 show that the GDP per capita according to purchasing power standard in 2023 amounted to 52% of the EU average. Significant funds to be used from the new EU initiative – Growth Plan for the Western Balkans – might contribute to the economic growth in the middle term and to faster convergence to the EU member states' development average. To that end, the Government of Montenegro adopted the *Montenegro's Reform Agenda 2024-2027 for the EU's Reform and Growth Facility*. This key document aimed to accelerate Montenegro's economic convergence to the EU average and implement necessary measures to speed up the EU² integration. It contains 32 indicative reform measures within the four priority sectors crucial for achieving stable economic growth, business environment improvement, providing rule of law and improving citizens' life quality: Business environment and Private sector development, Digital and energy/green transition, human capital development, and the rule of law, and fundamental rights. It also defines activities for implementing the reforms and success indicators, that will serve as the basis for monitoring the progress in implementing reform measures and the EU assessment on meeting the criteria for awarding the funds.

The Ministry of Finance's³ baseline scenario forecast for the period 2025-2027 points to the average annual growth of 3.8% with foreseen annual growth of 3.7% in the period 2025-2027 (with 4.8%, 3.2% and 3.1% growths in 2025, 2026 and 2027, respectively). The Central Bank's forecast for this year is 3.6%.

1.2. Activities

Graph 1.1



Source: MONSTAT

basis from the previous year (when it recorded 33.1% growth) and lower electricity output in power plants during the reporting period compared to the plan. The electricity output amounted to 1,941 GWh in the first nine months of 2024 or 8% less than planned for that period. HPP Perućica produced

1.2.1. Industrial output

The MONSTAT data indicate that total industrial output recorded the year-over-year decline of 6.0% in the first nine months of 2024. It resulted mainly from a 20.5% output drop in electricity, gas and steam supply due to high base from 2023 and lower output in power plants (mainly due to poorer output from water flows and the extended overhaul in TPP Pljevlja). The remaining two sectors (mining and quarrying and manufacturing industry) recorded output increases of 8.1% and 4.2%, respectively. Observed by months (graph 1.1), the largest drop in industrial production of 35.1% was recorded in April and the largest increase in July of 27.1%.

The electricity, gas and steam supply sector recorded the year-over-year production drop of 20.5% in first nine months of 2024, due to high

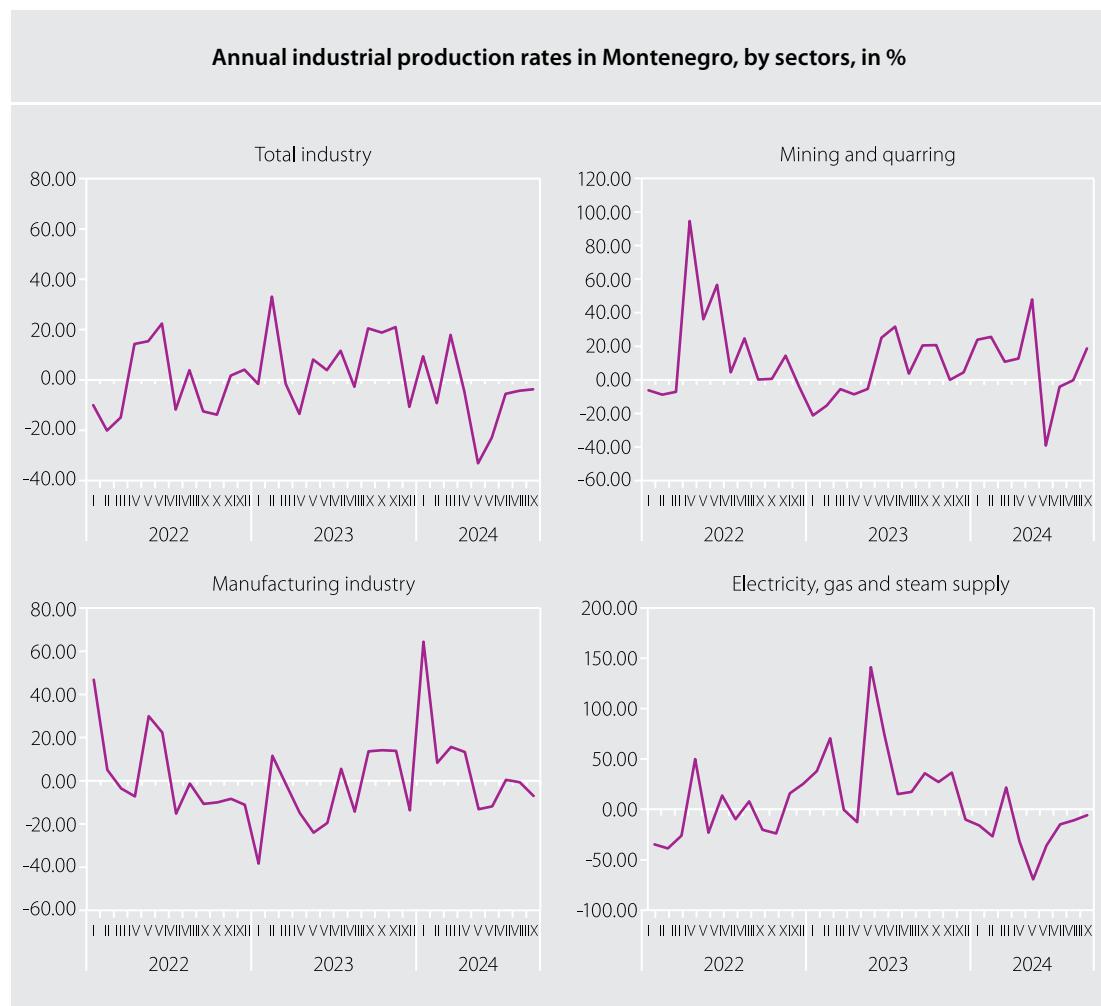
² Source: 50th Cabinet session held on 26 September 2024

³ Source: Ministry of Finance – Draft of the Budget Law 2025

510.6 GWh (compared to 706 GWh in the same period of 2023) whereas the output from water flows amounted to 332 GWh, or 69% of planned). The EPCG⁴ reports that the low water flows resulted from winter 2023/24 without snow and the uneven distribution of rainfall in the past months. HPP Piva produced 524.9 GWh (compared to 723 GWh produced in the same months of 2023), while TPP Pljevlja produced 902 GWh (compared to 1,082 GWh) due to regular annual overhaul which lasted 14 days longer than planned. In the reporting period, the EPCG earned 65.5 million euros based on electricity exports (sales) (73.2 million euros less year-on-year), while the expense for imports (purchases) amounted to 57.29 million euros or 1.2 million euros less.

The *Law on the use of energy from renewable sources*⁵, was adopted to regulate the output of energy from renewable sources, especially the incentives for the output of energy from renewable sources, defining the share of energy from renewable sources, the status of customers - producers and communities of renewable energy sources, the use of renewable energy sources in the heating and cooling sector and the transport sector, the criteria for sustainability and saving greenhouse gas emissions.

Graph 1.2



Source: MONSTAT

⁴ Source: EPCG Bulletin, No. 440, October 2024

⁵ Source: OGM 82/24 of 23 August 2024

The year-on-year output increase in total *mining and quarrying* sector in the first nine months of 2024 of 8.1% mostly resulted from the increase in *other mining*⁶ of 66.5%, and *metal ores mining* of 13.5%. *Coal mining*, recorded a decline of 18.8%, and the Coal Mine Pljevlja, that realises the highest exploitation, recorded the net-profit of some 3.34 million euros (declining compared to 7 million euros recorded in the same period of previous year)⁷.

Manufacturing industry recorded a 4.2% output growth in the reporting period. Output growth was recorded in eight areas that made up 28.0% of the total industrial production (table 1.2). The highest relative growth of over 200% was recorded in *manufacture of metal products, other than machinery and equipment* (which had a share of 0.4% in total industrial output). However, due to higher share in total industrial output, *production of food products*, with the share of 9.6% and 16.5% growth, contributed the most to manufacturing's growth. This sector has shown a positive trend in the last seven years (except the crisis 2020 year). With the share of 3.4%, the *production of machinery and equipment n.e.c.* also recorded a significant growth of 44.0%. The lowest relative growth was in *production of beverages* of 1.4% (its share in industrial output is 2.7%). At the same time, a decline in production was recorded in six areas of the manufacturing industry. The highest decline of 34.5% was recorded in *production of basic metals* (along with a significant decline in value of exported non-ferrous metals, i.e. aluminium by 55.3%) while the lowest was in the *production of basic pharmaceutical products* of 1.3%.

Table 1.2

Year-on-year changes in the performance of the manufacturing industry in January - September 2024 and the share of manufacturing industry in total output in 2023		
Industry Field/Period	Index QI-QIII 2024 QI-QIII 2023	Share in total output 2023 (in %)
MANUFACTURING INDUSTRY	104.2	48.5
Production of food products	116.5	9.6
Production of beverages	101.4	2.7
Manufacture of wearing apparel	149.8	0.1
Production of wood products, cork and the like	117.7	3.6
Production of paper and paper products	82.2	0.9
Printing and reproduction of audio and video recordings	66.9	0.2
Production of chemicals and chemical products	202.2	0.1
Production of basic pharmaceutical products	98.7	10.0
Production of rubber and plastic products	72.4	1.3
Production of other non-metal minerals products	107.2	8.1
Production of basic metals	65.5	7.8
Production of metal products, other than machinery and equipment	300.0*	0.4
Production of machinery and equipment otherwise not mentioned	144.0	3.4
Production of furniture	75.1	0.3

Source: MONSTAT

* Calculated index above 300.

⁶ According to the classification of activities, this activity includes the mining and quarrying in mines, gravel pits, quarries, saltworks, etc.

⁷ <https://seenergy.news/montenegro-pljevlja-coalmine-reports-decreased-profit-in-first-nine-months-of-2024/>

1.2.2. Tourism⁸

The decline in the number of total tourist arrivals and overnights was recorded in the first nine months of 2024 due to unfavourable results in individual, i.e. the so-called “private accommodation”. The collective accommodation, that include hotels, guest houses, motels, tourist resorts, resort camps, hostels, camps, and the like reached record results.

Some 2.30 million tourists visited Montenegro in the reporting period, which is the year-on-year drop of 1.06% (graph 1.3). The number of arrivals of both domestic and foreign tourists decreased (5.01% and 0.81%, respectively). However, the number of arrivals in the collective accommodation increased by 0.27% year-over-year and by 13.65% compared to the pre-crisis 2019.

In the reporting period, in the total structure of arrivals, the most represented were tourists from Serbia (18.40%), Bosnia and Herzegovina (8.65%), the Russian Federation (7.15%), Türkiye (5.96%), Germany (5.36%), the United Kingdom (4.24%), Kosovo (4.06%), France (3.58%), Poland (3.40%) and Ukraine (2.48%) (graph 1.4). The decline was recorded with tourists from most of countries with significant share in the total arrivals structure, while tourists from the Serbia, the United Kingdom and Türkiye recorded respective growths of 2.01%, 27.93% and 91.27%.

In the same period, there were 13.85 million overnights or 5.28% less than in the comparative period of the previous year (graph 1.5). Of the total number of these overnights, domestic tourists accounted for 514,215 showing a decrease of 0.60%, while foreign tourists recorded 13.34 million overnights or 5.46% less y-o-y.

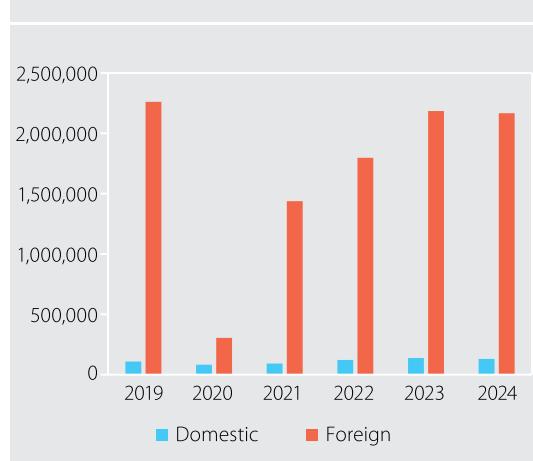
Graph 1.4



Source: MONSTAT

Graph 1.3

Tourist arrivals in the first nine months, 2019 - 2024



Source: MONSTAT

Graph 1.5

Number of tourist overnights in Montenegro, in the first nine months, 2019 - 2024

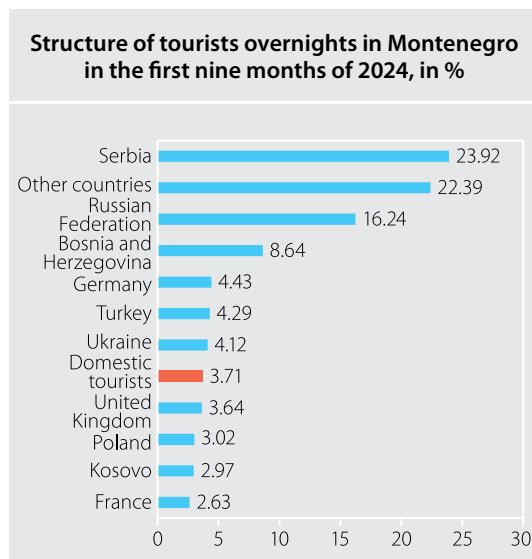


Source: MONSTAT

⁸ Preliminary data.

Compared to the same period in 2019, the total number of overnights was 3.85% higher, whereby the number of domestic tourist overnights and foreign tourist overnights rose by 16.51% and 3.41%, respectively.

Graph 1.6



Source: MONSTAT

(16.24%), and Bosnia and Herzegovina (8.64%). A relatively significant share in the structures was of tourists from Germany, Türkiye, Ukraine, the United Kingdom, Poland, Kosovo and France totalling to 25.10%, while other countries accounted to 22.39% and domestic tourists to 3.71% (graph 1.6). Fewer overnights of tourists from Russian Federation, Kosovo, and Bosnia and Herzegovina of 27.98%, 20.82% and 6.29% mainly contributed to overnights decline. The decline was recorded with tourists from most of countries with significant share in the total overnights structure, while tourists from the Serbia, the United Kingdom and Türkiye recorded respective growths of 3.23%, 28.63% and 68.53%.

To provide high-quality offer, the Government of Montenegro adopted the Programme of incentive measures in tourism for 2024 in early July. The main goal of the Program is to enrich the tourist offer and enable better destination availability with improving marketing activities to attract tourists from new issue markets, all aimed to generate higher revenues from tourism, extend the tourist season, increase the occupancy of accommodation capacities, and boost consumption and employment. The Programme includes the following five support measures: support for organising events/festivals; improving the offer and raising the quality of services in rural tourism, development of sustainable tourist products and services enriching the tourist offer in cultural, sports-recreational and adventure tourism; support for developing MICE tourism and Support for improving organised air arrivals through a joint marketing campaign with tour operators⁹.

1.2.3. Forestry

According to MONSTAT data, a total of 112,041 m³ of forest assortments from the state forests¹⁰ were produced in the first nine months of 2024, which is 53.8%¹¹ less than in the comparative period of

⁹ Source: 39rd Cabinet session held on 4 July 2024

¹⁰ The total 2024 production of forest assortments (from national and private forests) is to be published by MONSTAT at end-2025.

¹¹ Presented through weighted index.

The highest number of overnights was in individual accommodation (66.54% of total overnights), with a y-o-y decrease of 8.41%. It mainly resulted from the decline of overnights by tourists from Russia, Kosovo and Bosnia and Herzegovina of 29.63%, 24.38% and 6.06%, respectively, which accounted for the respective 36.58% in the structure of total overnights. On the other hand, overnights in collective accommodation (with a share of 33.46% of total overnights) grew by 1.62% y-o-y. The coastal region continually records the highest number of overnights in collective accommodations (89.64%). Overnights in the capital accounted for 5.88%, the mountain resorts contributed with 2.52% and other tourist resorts with 1.96%.

In the reporting period, in the total structure of overnights, the most represented were tourists from Serbia (23.92%), the Russian Federation

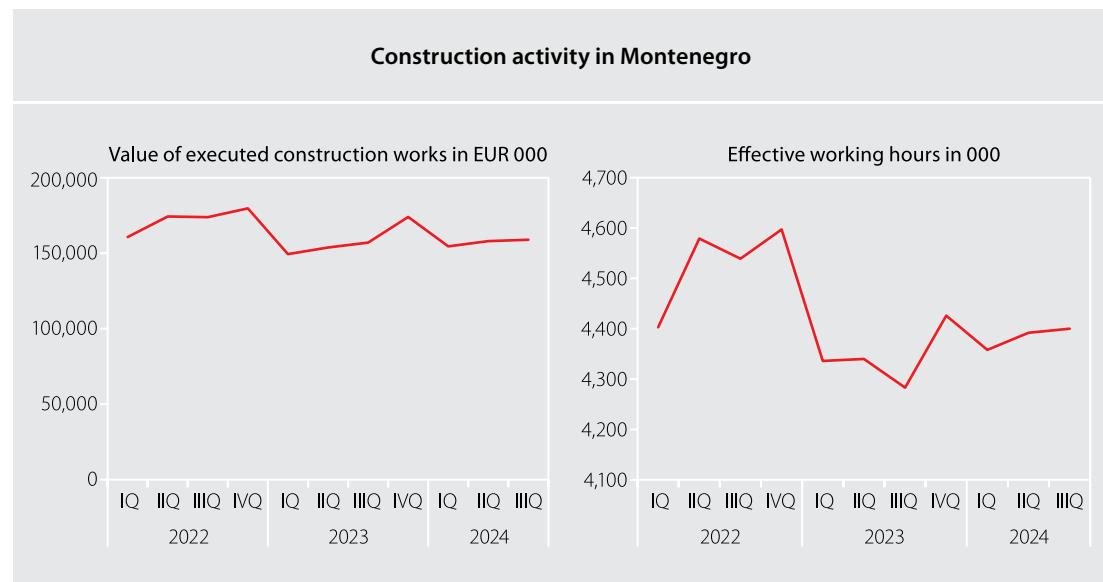
the previous year (graph 1.7). In the structure of the forest assortments, conifers accounted for 67.89%, of which the largest share related to the production of conifers logs (75.42%), while broadleaf made up 32.11% of total production, of which the largest part related to cord broadleaf wood (48.47%).

In late July, Montenegro's Parliament adopted the *Law on Forests*¹², which aims to improve forest management, achieve forest management sustainability, and develop the wood industry in Montenegro. The law abolishes the concession model of forest use, achieving sustainability of forest management in line with the Sustainable Development Strategy of Montenegro until 2030, compliance with the goals of the EU forest strategy for 2030, and creating assumptions for implementing the new Forestry Development Strategy in Montenegro, which adopted was planned by the end of this year.

1.2.4. Construction

Preliminary MONSTAT data for the first nine months of 2024 show that the *value of executed construction works* increased by 2.43% year-on-year (it amounted to 471.52 million euros), while *construction activity measured by the effective working hours on construction sites* grew by 1.47% (it amounted

Graph 1.8



Source: MONSTAT

¹² Source: OGM 77/24 of 5 August 2024

to 13.15 million euros) (graph 1.8). However, the *value of new contracts on buildings* decreased by 22.43% in the first nine months of 2024 (it amounted to 83.77 million euros), mainly resulting from high basis from the same period of 2023, when it recorded the highest value over the last four years (108.0 million euros). The *value of new contracts on other buildings* amounted to 112.15 million euros, and it decreased by 6.87% year-on-year.

Box 1.1 - Planned infrastructural projects in 2025

In the Draft Law on the Budget of Montenegro for 2025, the Government of Montenegro allocated significant funds for infrastructure projects, which will contribute to improving indicators in the construction sector as well. Some of these include adapting the railway infrastructure on the Bar-Golubovci section, road traffic infrastructure projects, the most significant being the second section of the "Matešev - Andrijevica" highway, healthcare projects including the construction of the General Hospital in Pljevlja and constructing the University Clinical Centre in Podgorica, projects in education including the construction of new kindergartens in Podgorica, Bar and Nikšić, and the new building of the "Vladimir Nazor" Elementary School in Podgorica and others¹³. As a new instrument in stimulating convergence towards the European development average, the Growth Plan for the Western Balkans¹⁴ is expected to provide additional funds for financing capital projects and planned structural reforms in the economy.

Figure 1

Most important projects in transport infrastructure, health and education – estimated value and planned in Budget for 2025

Bar-Boljare highway Matešev - Andrijevica section	Estimated value 650,000,000.00	Budget for 2025 100,016,000.00	The reconstruction of regional road M-2, section Lepenac-Ribarevina-Poda-Berane	Estimated value 34,500,000.00	Budget for 2025 4,065,000.00	The reconstruction of the main road Plužine-Nikšić-Danilovgrad, Zaborje-Jasenovo polje section	Estimated value 15,220,000.00	Budget for 2025 2,090,000.00
The reconstruction of the M-2 road section Tivat-Jaz, construction of a boulevard	Estimated value 75,500,000.00	Budget for 2025 5,001,001.00	Second-phase construction works on the Rožaje bypass road	Estimated value 33,640,000.00	Budget for 2025 3,100,000.00	Construction of the regional road Petlja-Veruša-Lopate	Estimated value 14,200,000.00	Budget for 2025 3,350,000.00
Preparation of project documentation for the Adriatic-Ionian highway and expressways	Estimated value 30,000,000.00	Budget for 2025 5,000,000.00	Vojislavljević Blvd. construction with bridge and roundabout Cetinje-Nikšić	Estimated value 30,245,000.00	Budget for 2025 2,080,000.00	The reconstruction of the road R-15 Donji Ulići-R. Crnojevića with the reconstruction of the stone bridge	Estimated value 17,500,000.00	Budget for 2025 1,003,000.00
Construction of the western bypass around Podgorica	Estimated value 24,480,000.00	Budget for 2025 3,050,000.00						

Source: Presentation of the Draft Budget Proposal for 2025

¹³ For more details from the *Presentation of the 2025 Budget* visit <https://www.gov.me/en/documents/1185ed99-c58a-463e-81d0-e121f227af2a>

¹⁴ The New Growth Plan for the Western Balkans is the EU's 6 billion euros worth financial package aimed to double the economic growth in these countries over the next ten years. The Plan includes the 2024-2027 period. The 2 billion euros will be provided through grants, i.e. the non-returned assistance, and the remaining 4 billion in the form of concessional loans. For more details visit https://enlargement.ec.europa.eu/document/download/75354ed6-6f5a-426e-9f29-f1c77ce8ce18_en?filename=NewGrowthPlan-WB-OCT2024.pdf

Figure 1**Most important projects in transport infrastructure, health and education – estimated value and planned in Budget for 2025 – continued**

Construction of General Hospital in Pljevlja	Estimated value 40,000,000.00	Budget for 2025 2,000,001.00	The reconstruction of the Bijelo Polje General Hospital	Estimated value 15,000,000.00	Budget for 2025 105,000.00	Adaptation and reconstruction of the Clinics for Anesthesia, Reanimation and Pain Therapy of the Clinical Center of Montenegro	Estimated value 1,220,000.00	Budget for 2025 501,000.00
Primary Health Care Centre in City quart, Podgorica	Estimated value 21,000,000.00	Budget for 2025 455,000.00	Construction of the Clinic for Infectious Disease and the Clinic for Dermatovenerology KCCG	Estimated value 9,205,000.00	Budget for 2025 590,002.00	Adaptation of facilities for Baby friendly program in General Hospital in Bar	Estimated value 730,000.00	Budget for 2025 502,000.00
PET/CT Centre with hematology clinic	Estimated value 15,000,000.00	Budget for 2025 125,007.00	Construction of the University Clinical Centre in Podgorica	Estimated value 199,000,000.00	Budget for 2025 1,000,000.00	Adaptation of Children's Dispensary building in Nikšić	Estimated value 600,000.00	Budget for 2025 501,000.00
Construction of a new kindergarten in Bar	Estimated value 7,200,000.00	Budget for 2025 510,002.00	The construction of the new Elementary School and kindergarten in Radovići, Tivat	Estimated value 5,760,000.00	Budget for 2025 1,005,000.00	Construction of the "Oktoih" Elementary School pavilion in Podgorica	Estimated value 2,000,000.00	Budget for 2025 1,520,000.00
Construction of a new kindergarten in City quart, Podgorica	Estimated value 7,000,000.00	Budget for 2025 105,002.00	Expansion of the Faculty of Architecture in Podgorica	Estimated value 5,600,000.00	Budget for 2025 510,001.00	Construction of the sports hall in „Mrkojevići“ Elementary School in Pečurice, Bar	Estimated value 1,550,000.00	Budget for 2025 1,010,000.00
Construction of the new building of the "Vladimir Nazor" Elementary School in Masline, Podgorica	Estimated value 7,100,000.00	Budget for 2025 1,005,000.00	Construction of a sports hall of the Faculty of Sports and Physical Education in Nikšić	Estimated value 3,000,000.00	Budget for 2025 510,000.00	Heating adaptation in educational institutions	Estimated value 1,235,000.00	Budget for 2025 500,000.00
Construction of a new kindergarten in Nikšić			Construction of a new kindergarten in Nikšić	Estimated value 2,050,000.00	Budget for 2025 420,000.00			

Source: Presentation of the Draft Budget Proposal for 2025

1.2.5. Transport

In the first nine months of 2024, almost all modes of transport recorded a significant year-on-year growth. The highest growth was recorded in the air passenger and cargo transport (with turnover of passengers exceeding the same period of the pre-crisis year of 2019). From the point of view of tourism development, Montenegro is a dominant airline destination. However, planned investments in improving and developing road and rail traffic are also crucial for developing tourism and the turnover of goods and services. One of the most important projects in road traffic is the continuing construction of the Bar-Boljari highway (with some 100 million euros allocated in the 2025 Budget for the Matešev-Andrijevica section). To improve the railway infrastructure, modernise, and adapt to the trans-European railway system requirements, the Government of Montenegro adopted the *National Railway Infrastructure Program 2024 to 2026* in July, including the reconstruction and modernisation phases. The reconstruction phase aims to eliminate "bottlenecks" (while overcoming the problems of dilapidation and modest functional capacity of infrastructure subsystems). In the modernisation phase, the goal is for the railway transport system in Montenegro to be compatible with the EU's

Graph 1.9

Source: MONSTAT

Graph 1.10

Source: MONSTAT

transport system (with expected better connection with the network of pan-European corridors and attracting goods and traffic flows in the region and greater valorisation of the Port of Bar's potential)¹⁵.

Preliminary MONSTAT railway transport data show that 3.54%¹⁶ more passengers were transported in the reporting period, while the cargo transport decreased by 6.76%¹⁷. In the same period, the number of passengers in road transport increased 8.87%¹⁸, and cargo transport increased 6.41%¹⁹.

When it comes to passenger air transport, a total of 2.40 million passengers were transported in the same period, which is by 340 thousand or 16.48% passengers more year-on-year and the highest number of passengers in the comparable ten-year period (graph 1.10). The growth was recorded in both Podgorica and Tivat airports by 7.51% and 32.41%, respectively. Most of the passengers came from Serbia, Türkiye, Germany, the United Kingdom and Poland, which corresponds to data on countries with the highest share in the foreign tourists' arrivals to Montenegro. Total cargo turnover in airports amounted to 507 tonnes and it was 13.17% higher compared year-on-year.

Total cargo turnover in ports amounted to 1.87 million tonnes and it was 10.87% higher compared year-on-year. Of this amount, exports accounted for 61.09% and imports the remaining 38.91%. According to MONSTAT data, the export of goods from Montenegrin ports, expressed in tons, increased by 22.05% mainly to China, Singapore, Italy and Türkiye. The import of goods in tons in Montenegrin ports decreased by 3.06%, mainly due to lower imports from Croatia and Egypt.

¹⁵ Source: 41st Cabinet session held on 18 July 2024

¹⁶ Presented in the number of passengers transported in thousands, while presented in passenger kilometres, it rose 5.23%.

¹⁷ Presented in thousand tonnes, while presented in ton-kilometres, it decreased by 14.21%.

¹⁸ Presented in the number of passengers, while presented in passenger-kilometres, it increased by 11.48%.

¹⁹ In terms of transported goods expressed in thousands of tons and tons km freight transport decreased by 0.52%.

Box 1.2 – Foreign affiliates in Montenegro

The number of foreign affiliates²⁰ in Montenegro and other business parameters of their operations increased in 2023 compared to the previous year. Although the 2023 MONSTAT survey covered only 1 pp higher percentage of the total number of foreign affiliates (98%) than in 2022, the number (851) indicates a significant annual increase in the total number of foreign affiliates when the same survey covered 97% (685) of the total number of foreign affiliates (the report on this survey does not specify the total number of foreign branches).

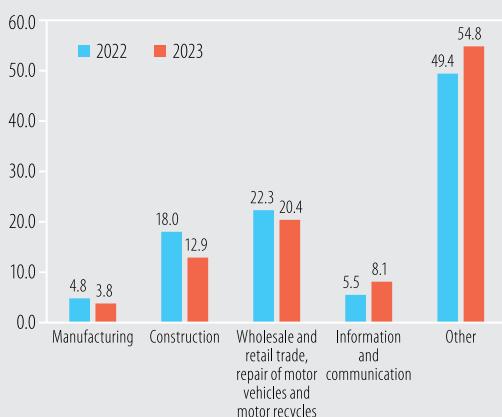
It led to a slight increase in the share (covered by the MONSTAT survey) of the number of foreign affiliates in the total number of business entities in Montenegro (by 0.3 pp to 2.4%), in total added value (by 0.2 pp to 13.7%), in the total value of production (by 0.9 pp to 15.6%) and in total turnover (by 2.0 pp to 22.2%). Observed by groups of countries, the total number of foreign affiliates recorded a noticeable increase in the share of affiliates from non-EU member states (by 8.7 pp to 75.7%).

The largest share in the total number of foreign affiliates (42.2%) in 2023 was from five countries (Serbia, Türkiye, Bosnia and Herzegovina, Slovenia and Great Britain). All these countries, individually and as a group, recorded an annual growth of 82% in the number of affiliates, and other countries also recorded significant growth (71%). The high number of foreign affiliates in 2023 (and in 2022) was majority owned by legal and natural persons from Serbia (179 or 21%). The number of foreign branches owned by legal and/or natural persons from Turkey was the second highest (83), and it recorded the highest annual growth (by 25 affiliates), followed by branches owned by persons from Serbia (17).

According to the largest percentage share in the number of foreign affiliates, foreign affiliates owned by persons from Serbia also recorded the largest share in all observed business parameters in 2023: in turnover value (28%), in production value (25%), in intermediate consumption (21%) and in value

Graph 1

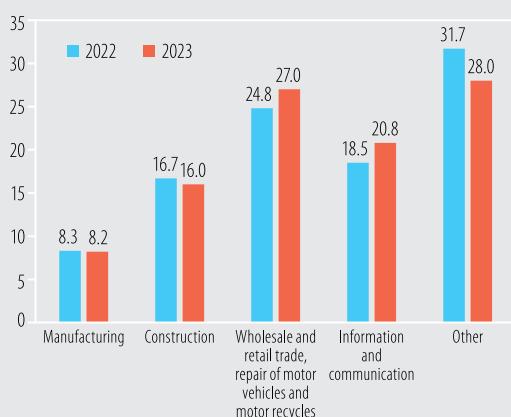
Structure of the number of foreign affiliates by production sector in 2023



Source: MONSTAT

Graph 2

Structure of the total production value of foreign affiliates by production sectors in 2023



Source: MONSTAT

²⁰ Business entities that are resident in Montenegro but controlled by foreign business entities (legal entities or natural persons). It observes business entities in which the share of foreign capital (one or more countries) in total capital is 50% or more. For other methodological explanation see: [https://www.monstat.org/uploads/files/statistika%20stranih%20fili-jala/2023/Inward_Foreign_Affiliates_Statistics_IFATS_2023%20\(002\).pdf](https://www.monstat.org/uploads/files/statistika%20stranih%20fili-jala/2023/Inward_Foreign_Affiliates_Statistics_IFATS_2023%20(002).pdf)

added (25%). Switzerland was the second in the share in these parameters in 2023 (between 8% and 12%) despite a relatively minor number of companies (21) compared to Serbia and Turkey.

Observed by production sectors in 2023, the annual decline in participation in the total number of foreign affiliates and their total value of production is recorded by the manufacturing industry and construction sectors (graphs 1 and 2). The wholesale and retail trade and repair of motor vehicles and motorcycles sector recorded a decrease in the number of foreign affiliates and a slight increase in the share in output value. The information and communication sector records increased participation in both of these parameters. Other sectors recorded an increased share in numbers yet lower share in production value.

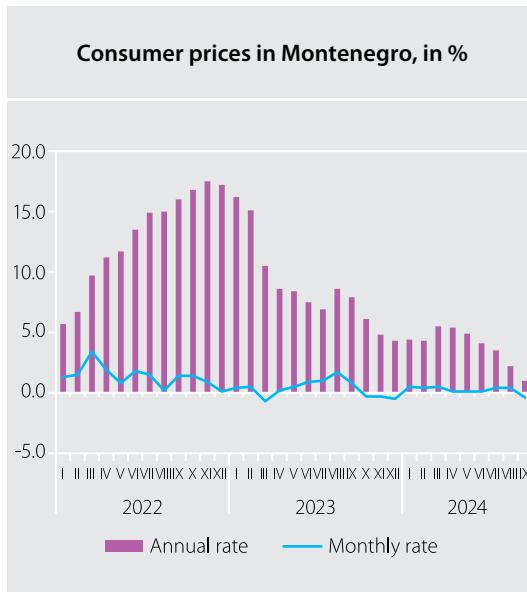
1.3. Prices

During the first nine months of 2024 inflation slowdown trend started last year continued in Montenegro and globally. The IMF's²¹ October 2024 forecast shows that global average inflation will amount to 5.8% this year (dropping from 6.7% in 2023), while the European Commission's²² November forecast shows that the average inflation rate in the EU will be 2.6% (drop from 6.4% in 2023) to additionally decrease to 2.4% in 2025.

In the first nine months of 2024 compared year-on-year, consumer prices were on average higher by 3.9%, while prices in September 2024 were higher by an average of 1.0% compared to September 2023, which is below the annual inflation recorded in the euro area and the EU (of 1.7% and 2.1%, respectively).

Compared to December 2023, they increased by 2.1% in average. An increase in prices in the category *food and non-alcoholic beverages, housing, water, electricity gas and other fuels* and *hotels and restaurants*, mainly contributed with 1.3%, 3.5%, and 10.3%, respectively (table 1.3).

Graph 1.11



Source: MONSTAT

In September 2024 compared to December 2023, prices in Montenegro recorded an increase in eleven out of twelve categories that made up 92.32% of the total consumer basket (table 1.3). The highest contribution (of 0.54 pp) was from the price growth of 10.3% in the *hotels and restaurants* category, primarily owing to a 16.6% increase in the prices of accommodation services. It is followed by the category *food and non-alcoholic beverages* of 1.3%, mainly due to higher prices of fruit, non-alcoholic beverages, oils and fats and meat of 17.2%, 8.8%, 6.1% and 3.2%, respectively. Price growth in *housing, water, electricity gas and other fuels* of 3.5% was one of the main contribu-

²¹ Source: IMF - *World Economic Outlook*, October 2024

²² European Commission – *Autumn 2024 Economic Forecast*, November 2024

tor to the growth of total inflation (0.49 pp), mainly as a result of the increase in the prices of electricity and water supply of 2.9% and 8.0%, respectively. The electricity price increased due to the EPCG decision from mid-December last year that defined the increase in electricity for domestic consumers from next January. Water price increase resulted from the application of the price list following the Methodology for determining the prices of regulated utilities set by the Regulatory Agency for Energy²³. In the reporting period, price growth was also recorded in the following categories: *communications* (7.4%), *furnishing, household equipment and routine household maintenance* (3.8%), *miscellaneous goods and services* (3.7%), *recreation and culture* (2.7%), *health care* (1.7%), *alcoholic beverages and tobacco* (1.4%), *education* (0.9%) and *transport* (0.3%). Prices under *clothing and footwear* were the only ones to decrease in September 2024 (by 4.2%) compared to December 2023.

Table 1.3

Growth rate and contribution of individual categories in total inflation ²⁴ in Montenegro				
	Weights	IX 24 / XII 23	Growth rate	Contribution
TOTAL	1,000.0	102.1	2.1	2.1
Food and non-alcoholic beverages	360.6	101.3	1.3	0.5
Alcoholic beverages and tobacco	39.1	101.4	1.4	0.1
Clothing and footwear	76.8	95.8	-4.2	-0.3
Housing, water, electricity gas and other fuels	141.5	103.5	3.5	0.5
Furnishing, household equipment and routine household maintenance	44.2	103.8	3.8	0.2
Health	38.4	101.7	1.7	0.1
Transport	112.6	100.3	0.3	0.0
Communications	42.5	107.4	7.4	0.3
Recreation and culture	30.2	102.7	2.7	0.1
Education	17.7	100.9	0.9	0.0
Restaurants and hotels	52.5	110.3	10.3	0.5
Miscellaneous goods and services	43.8	103.7	3.7	0.2

Source: MONSTAT and CBCG calculations

Box 1.3 – Decision on temporary measures to limit prices of products of special importance for human life and health

To decrease inflation in some categories and protect “vulnerable categories of purchasers with low income, the Government of Montenegro adopted the Decision amending the Decision on interim measures for limiting prices of special-importance products for life and health of people and the List of products. The Decision implies limiting trade margin for 43 retail and wholesale products from 5% to 15% (over 500 items considering different weights and producers), and it applied until 31 May 2024 after which the amended decision (focusing on products from domestic producers) increased its validity was expended until end-June. Due to the increased prices of essential food products, the

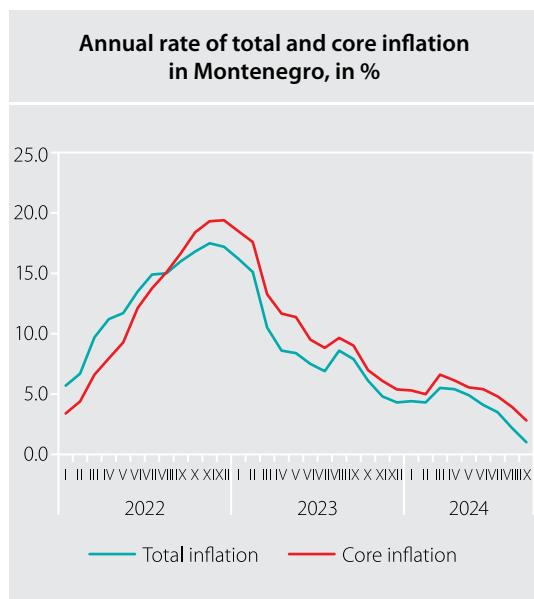
²³ More details at: <https://vikpg.me/en/customer-area/price-list.html>

²⁴ We reiterate that regardless of the index changes, the contribution shares of individual categories is recorded at the second and/or third decimal due to weighting structure.

Decision²⁵ was re-adopted at the end of July, limiting the maximum margins to 5% in wholesale and up to 7% in retail for wheat bread (type 400 and 500), sugar, sunflower oil and table salt. At the end of August, the Decision was amended²⁶, with a margin limit on 66 products (about 1000 items), except small shops, and is valid until 31 January 2025.

The annual core inflation rate stood at 2.8% in September this year and it was 1.8 pp higher than total annual inflation²⁷. This was due to the rise in the prices of almost all groups of food products that are not excluded from the calculation, as well as the prices of other product groups that determine core inflation on annual level. During all nine months, the annual base inflation rate was higher than the total inflation (graph 1.12). The largest spread between total annual and core inflation was recorded in September 2024 due to price changes of some products included in the annual inflation calculation, but not included in the core inflation calculation (e.g. prices of a large number of agricultural products, electricity, tobacco, fuel and lubricants, and the like).

Graph 1.12



Source: MONSTAT and CBCG calculations

Total annual inflation stood at 1.0% in September this year. The price growth of 4.3% in the *housing, water, electricity gas and other fuels* category gave the largest positive contribution (of 0.60 pp) to the increase in total annual inflation. Prices in this and in *restaurants and hotels* and *communications* categories (with respective growths of 6.4% and 7.4%) were the biggest contributors to the growth of annual inflation in Montenegro in September.

Year-on-year inflation slowdown was recorded in many countries of the region and the EU. The highest annual rate of consumer prices among countries in the region in September 2024 was recorded in Serbia (4.2%), North Macedonia (2.6%) and Albania (1.9%), while Bosnia and Herzegovina recorded the rate of 0.8% (graph 1.13).

The annual inflation rate recorded in the EU, measured by the harmonised index of consumer prices²⁸ (HICP) stood at 2.1% in September 2024. Of the EU member states, the highest annual rate was recorded in Romania (4.8%) and the lowest in Ireland (0%). The annual HICP inflation in the euro area amounted to 1.7% and it was 1.2 pp lower than the annual rate in December 2023 and the highest con-

²⁵ Source: OGM 70/24 of 22 July 2024

²⁶ Source: OGM 83/24 of 29 August 2024

²⁷ Core inflation is used as an indicator of the trend of the long-term rate or future rate of inflation, i.e. it enables the distinction between temporary price shocks and long-term inflation. Total annual inflation is an indicator of the average price change of all products and services used by households for consumption purposes. Read more on the methodology at: https://www.cbcg.me/slike_i_fajlovi/eng/fajlovi/fajlovi_publikacije/radne_studije/obracun_bazicne_stope_inflacije_english.pdf

²⁸ Harmonised Index of Consumer Prices (HICP) is the basis for a comparative measure of inflation in Europe and the assessment of stability of monetary value in the euro area. Each EU member state is obliged to produce the HICP index.

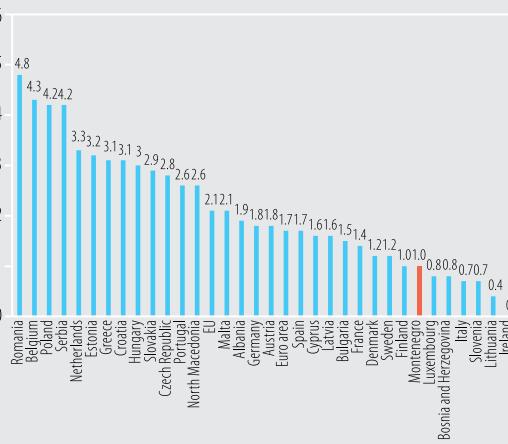
tributors to inflation of 1.76 pp and 0.47 pp came from the annual price growth of services and food, alcoholic beverages and tobacco with 3.9% and 2.4%, respectively. In its November report²⁹, the European Commission forecasted inflation in the euro area of 2.4% in 2024 and 2.1% in 2025.

In the first nine months of 2024, average oil price recorded a mild increase compared to the same period last year. The price of crude oil averaged at \$82.66/bbl. in the first nine months of 2024, being 0.63% higher than the average recorded a year ago. The highest price of \$89.89/bbl. since October 2023 was recorded in April due to concerns of escalating conflicts in the Middle East and the decision of some OPEC+ member states to extend the voluntary oil production cuts. The average price of crude oil decreased in August and September, mainly due to the slowed economic growth of China, the world's largest oil importer, and traders' concerns that the slower growth of the world's largest economies will weaken the demand for this fuel. In September, the price of crude oil was \$74.26/bbl. (benchmark North Sea Dated), hitting the lowest level since December 2021. The price of the OPEC reference basket averaged at \$81.98/bbl. in the first nine months of 2024, being 0.30% lower than the average recorded a year ago. According to the World Bank report from October 2024³⁰, the average price of crude oil in the current year is expected to increase slightly to \$80/bbl., and to decline significantly to \$73/bbl. Global oil supply is expected to reach approximately 105 mb/d in 2025 and exceed demand by an average of 1.2 mb/d. The increase is expected mainly in Brazil, Canada, Guyana, and the USA. At the same time, the production of the OPEC+ countries will achieve only a slight increase, which will be reflected in the expected price reduction overall.

Producers' prices of manufactured products recorded an increase of 0.2% in September this year compared to December 2023. In the reporting period, there was a growth in the manufacturing industry sector of 2.1%, while mining and quarrying recorded a decrease in production of 4.9%. Prices remained unchanged in the electric-

Graph 1.13

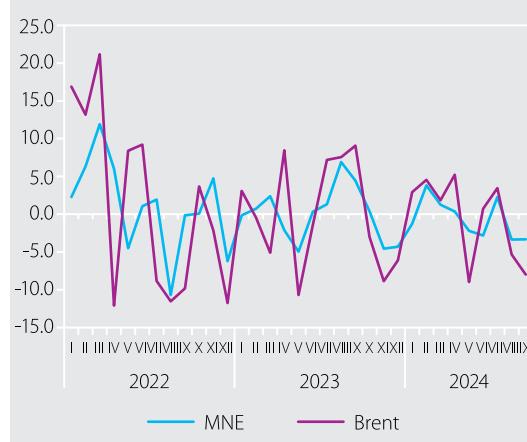
Annual inflation rate in selected European countries, September 2024, in %



Source: National statistical offices (CPI in countries in the region) and Eurostat (HICP in the EU countries)

Graph 1.14

Prices of fuels and lubricants in Montenegro and oil prices of OPEC*, monthly rate, in %



Source: MONSTAT and OPEC Monthly Oil Market Reports (*North Sea Dated)

²⁹ Source: European Commission, *Autumn 2024 Economic Forecast: A gradual rebound in an adverse environment*, November 2024

³⁰ World Bank: "Commodity Market Outlook", October 2024

ity, gas and steam supply sector. In September, the producers' prices of manufactured products recorded an annual growth of 2.3%.

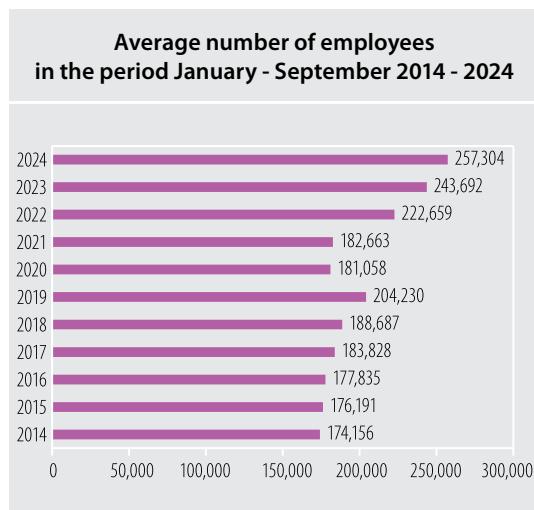
In the first nine months of 2024, the year-over-year increase of 6.4% was seen in internal retail trade, expressed in constant prices (9.6% in current prices) due to the growing demand.

1.4. Labour Market

Positive results at the labour market started in the previous period continued in the first nine months of 2024. An increase in the number of employees and wages and a decrease in unemployment were recorded.

Employment

Graph 1.15

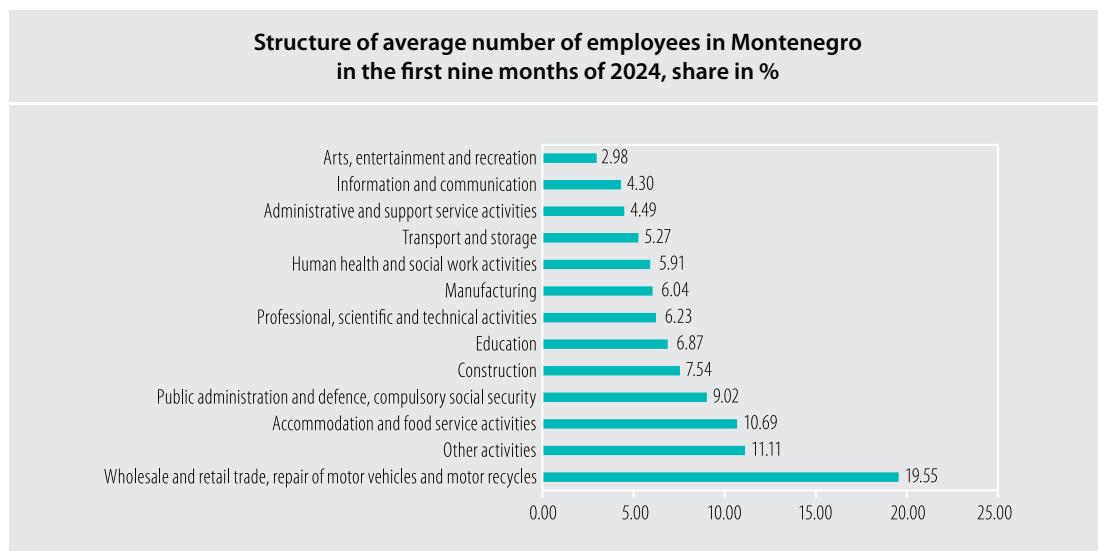


Source: MONSTAT

The average number of employees in the reporting period was 257,304, which represents a growth of 5.59% on an annual basis. The highest employment growth was seen in almost all branches (except in information and communications that recorded an insignificant drop of 0.10%). The highest growth was in real estate activities and construction (12.36% and 12.10%, respectively), and the lowest in public administration and defence, compulsory social security and administrative and ancillary service activities (0.42% and 2.10%, respectively). In September this year, the total number of employees was 258,102 or 3.72% more year-over-year.

The structure of employees in the reporting period (graph 1.16) shows that the largest number

Graph 1.16



Source: MONSTAT

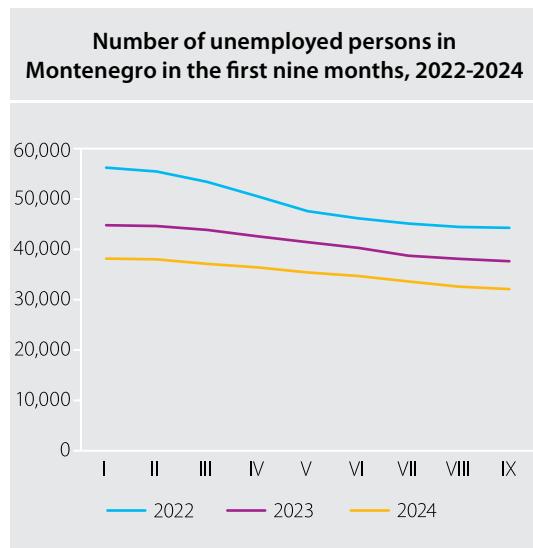
of employees were in the wholesale and retail trade; repair of motor vehicles and motorcycles (19.55%), accommodation and food service activities (10.69%), public administration and defence; compulsory social security (9.02%), construction (7.54%), education (6.87%), professional, scientific and technical activities (6.23%), and manufacturing (6.04%).

The government adopted the *Youth Guarantee Program 2024-2026 Implementation Plan*³¹, which has been applied in the EU member states since 2013 and created as support for young people whose position in the labour market has significantly deteriorated due to the 2008 financial turmoil. The main principle of the program is that every young person receives a quality offer for a job, internship, further training or continued education within four months after leaving education or training or becoming unemployed. The Plan will enable using funds from the Operational Programme on Employment and Social Inclusion 2024 – 2027 and provide conditions for starting the Pilot Phase of the “Youth Guarantee” programme, which is scheduled for 2025-2026.

At the end of September 2024, there were 32,099 unemployed persons on the records of the Employment Agency of Montenegro (EAM), which is the lowest number since July 2015 (graph 1.17). In the first nine months of 2024, the number of registered unemployed persons averaged at 35,351, which is 14.49% less on the annual basis. The unemployment structure by the duration of looking for job shows that the EAM records point that 19,558 persons or 60.93% were registered by the EAM for over three years.

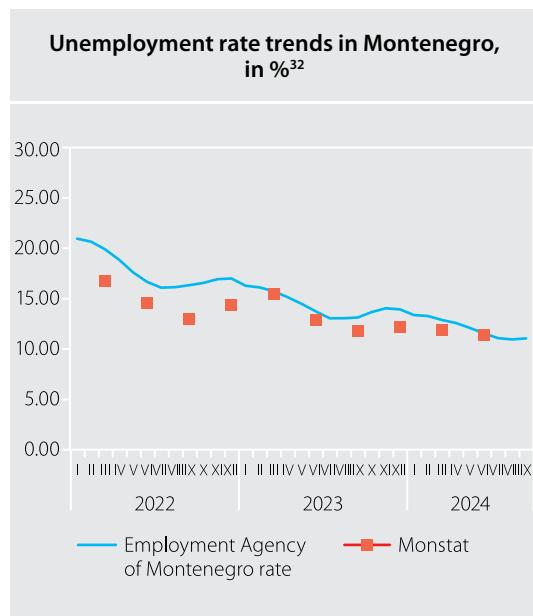
The EAM records shows that the registered unemployment rate amounted to 11.06%³³ in September this year and it was 2.08 pp³⁴ lower year-over-year (it amounted to 10.96% in August, hitting the lowest level since October 2009). On the quarterly level, MONSTAT publishes different unemployment rate in the Labour Force Survey that complies with the Eurostat recommen-

Graph 1.17



Source: Employment Agency of Montenegro

Graph 1.18



Source: MONSTAT and EAM

³¹ Source: 41st Cabinet session held on 18 July 2024

³² While compiling the report, the unemployment data from the Labour Force Survey for Q3 2024 were not available.

³³ The registered unemployment rate is calculated by the EAM and it represents the ratio of the number of registered unemployed persons from the EAM records and the active population (registered employed + registered unemployed).

³⁴ The EAM revised its unemployment rates for 2023.

dations. Graph 1.18 shows trends of these two rates, and more information on the calculation methodology can be found at the link in the footnote³⁵.

Earnings

MONSTAT data show that the average gross salary amounted to 1,052 euros in the first nine months of 2024, while the average salary without taxes and contributions stood at 840 euros, and they both rose year-on-year by 7.46% and 6.73%, respectively.

Pursuant to the *Law Amending the Labour Law*³⁶, the minimum net salary will amount to 600 euros for employees in jobs requiring up to the fifth level of education qualification, i.e. 800 euros for employees in jobs requiring the sixth and higher education qualification levels from 1 October 2024. These amendments align the Fiscal Strategy of Montenegro 2024-2027, which envisages a reduction of costs for employers through a lower tax burden on wages and increased minimum and average wages in Montenegro as key measures to improve citizens' standards.

The highest wages without taxes and contributions were recorded in the *financial and insurance activities* (1,312 euros) and *electricity, gas, steam, and air conditioning supply* (1,222 euros), while the lowest earnings had employees in *administrative and ancillary services* sector (673 euros) and *manufacturing industry* (674 euros) (table 1.4). All sectors recorded growth in wages and salaries without taxes and contributions. The highest increase was recorded in *water supply and waste water management* (17.70%), *professional, scientific and technical activities* (13.67%), followed by *other service activities* by 12.97% and *accommodation and food service activities* by 11.220%, while wages grew the least in the *electricity, gas, steam, and air conditioning supply* by 0.33%.

³⁵ Guide on manner of determining survey and registered unemployment rate
[https://www.monstat.org/userfiles/file/ars/Prirucnik%20nezaplenosti%20u%20CG_20_3_2015ENG\(1\).pdf](https://www.monstat.org/userfiles/file/ars/Prirucnik%20nezaplenosti%20u%20CG_20_3_2015ENG(1).pdf)

³⁶ Source: OGM 86/24 of 10 September 2024

Table 1.4

	Average earnings without taxes and contributions by sectors in Montenegro, in euros		
	Earnings without taxes and contributions	Index	
	Ø I - IX 2023	Ø I - IX 2024	Ø I-IX 2024 Ø I-IX 2023
TOTAL	787	840	106.73
Agriculture, forestry and fishing	709	784	110.58
Mining and quarrying	1,039	1,045	100.58
Manufacturing industry	618	674	109.06
Electricity, gas, steam and air conditioning supply	1,218	1,222	100.33
Water supply and waste water management	678	798	117.70
Construction	737	782	106.11
Wholesale and retail trade; repair of motor vehicles and motorcycles	651	720	110.60
Transport and warehousing	735	796	108.30
Accommodation and food service activities	713	793	111.22
Information and communications	1,013	1,076	106.22
Financial and insurance activities	1,249	1,312	105.04
Real estate activities	968	1,014	104.75
Professional, scientific and technical activities	695	790	113.67
Administrative and ancillary service activities	630	673	106.83
Public administration and defence; compulsory social security	885	937	105.88
Education	801	831	103.75
Human health and social work activities	897	914	101.90
Arts, entertainment and recreation	704	763	108.38
Other service activities	663	749	112.97

Source: MONSTAT

Box 1.4 – Average earnings in countries of the former Yugoslavia, September 2024

Data on average salaries in September 2024 show substantial difference in reference to individual countries of the former Yugoslavia. Wages and salaries without taxes and contributions in all observed countries (Slovenia, Croatia, Montenegro, Bosnia and Herzegovina, Serbia, and North Macedonia) recorded the year-on-year growth. The highest nominal growth in net annual earnings was recorded in Montenegro (18.0%), followed by Croatia (14.4%), Serbia (13.0%), North Macedonia (9.8%), and Bosnia and Herzegovina (9.3%), while the lowest wage growth was seen in Slovenia (5.3%). Slovenia is still in first place in terms of net wages and salaries, followed by Croatia, while Montenegro is ahead of Serbia, Bosnia and Herzegovina and North Macedonia.

Table 1

Average earnings in the former Yugoslavia countries in September 2024, in euros

Country	Gross earnings	Net earnings
Slovenia	2,343	1,487
Croatia	1,829	1,322
Montenegro	1,102	877
Serbia	1,134	821
North Macedonia	1,094	707
Bosnia and Herzegovina	1,018	676

Source: Statistical offices and central banks of the aforementioned countries