



# Macroeconomic Report of the Central Bank of Montenegro Q2 2024

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Central Bank of Montenegro  
Bulevar Svetog Petra Cetinjskog 6  
81000 Podgorica  
Telephone: +382 20 664 997, 664 269  
Fax: +382 20 664 576

WEB SITE

<http://www.cbcg.me>

CENTRAL BANK COUNCIL

Irena Radović, PhD, Governor  
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Zorica Kalezić, PhD, Vice-Governor  
Milorad Jovović, PhD  
Ruždija Tuzović

DESIGNED BY

Nikola Nikolić  
Nikola Mardonović

TRANSLATED BY

Department for Financial Stability, Research and Statistics

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## REVIEW OF MACROECONOMIC DEVELOPMENTS

	2023	Q2 2024	%
<b>REAL SECTOR DEVELOPMENTS</b>			
GDP (in current prices in EUR million) <sup>1</sup>	6,963.62	1,847.21	
Industrial output (compared to the same period the year before) <sup>2</sup>	6.4	-6.7	
Production of forest assortments in state forests (compared to the same period the year before) <sup>2</sup>	28.1	-54.3	
Construction (compared to the same period the year before-measured by effective working hours) <sup>2</sup>	-4.0	0.9	
Employment			
Number of employed people (December 2023 and June 2024)	246,449	265,527	
Number of unemployed people (December 2023 and June 2024)	39,942	34,715	
Inflation rate			
Consumer prices, annual rate (December 2023 and June 2024)	4.3	4.1	
Average salary without taxes and contributions (average salary for period) <sup>2</sup>	792	827	4.42
<b>MONETARY DEVELOPMENTS (EUR million)<sup>3</sup></b>			
Total deposits	5,473.2	5,383.4	-1.64
Nonfinancial sector deposits	1,757	1,577	-10.26
Household deposits	1,900.8	1,913	0.62
General Government deposits	398.0	423.1	6.30
Central Government	246.8	251.9	2.06
Local Government	147.7	166.9	13.01
Social security funds	3.6	4.4	22.49
Financial sector deposits	44.6	48.5	8.66
Deposits of Nongovernment and other nonprofit organizations	82.5	84.4	2.26
Deposits of non-residents	1,290.1	1,338.0	3.71
Total loans	4,095.2	4,483.0	9.47
Loans to nonfinancial sector	1,310.6	1,470.4	12.19
Loans to households	1,689.9	1,818.3	7.60
Loans to General Government	311.9	271.2	-13.03
Central Government	284.2	245.8	-13.51
Local Government	27.6	25.4	-8.06
Social security funds	0.0	0.0	-
Loans to financial sector	43.3	44.2	1.96
Loans to Nongovernment and other nonprofit organizations	7.0	3.5	-49.63
Loans to non-residents	732.5	875.4	19.50
<b>TREASURY BILLS ISSUE</b>			
Average interest rates on 91-day T-bills, last recorded	3.75%		
Average interest rates on 182-day T-bills, last recorded	3.50%		
Average interest rates on 273-day T-bills, last recorded	4.00%		
<b>CAPITAL MARKET</b>			
Turnover in stock exchanges (EUR million) <sup>2</sup>			
Montenegro stock exchange	12.26	5.66	
Stock exchange indices			
MNSE10	1,063.32	1,016.17	-4.43
MONEX	15,583.13	15,207.20	-2.41
<b>FISCAL DEVELOPMENTS (EUR million)</b>			
Current revenues <sup>4</sup>	2,941.3	1,497.5	
Expenditures <sup>4</sup>	2,900.1	1,454.7	
Surplus/deficit <sup>4</sup>	41.2	42.8	
Foreign government debt (in EUR million) <sup>5</sup>	3,517.29	4,091.32	16.32
Domestic government debt (in EUR million) <sup>5</sup>	542.62	386.70	-28.73
Debt of the local governments (in EUR million) <sup>5</sup>	66.9		
<b>EXTERNAL DEVELOPMENTS<sup>2</sup></b>			
Current account balance (EUR million) <sup>2</sup>	-791.26	-858.38	
Trade balance	-2,985.66	-1,571.42	
Balance of services	1,687.67	488.17	
% of trade deficit/other balances coverage	73.50	45.38	
Current account balance in % of GDP	-11.36		

<sup>1</sup> Source: MONSTAT, for Q2 2024 preliminary data.

<sup>2</sup> Data for period I-XII 2023 and I-VI 2024.

<sup>3</sup> As of June 2018, monetary statistics data are compiled in accordance with the new methodology ([http://www.cbcg.me/slike\\_i\\_fajlovi/eng/fajlovi/fajlovi\\_publikacije/metodologija\\_2018e.pdf](http://www.cbcg.me/slike_i_fajlovi/eng/fajlovi/fajlovi_publikacije/metodologija_2018e.pdf)).

<sup>4</sup> Current revenues and expenditures of the Budget of Montenegro and state funds and local governments.

<sup>5</sup> In accordance with the new Law on Budget and Fiscal Responsibility, which was adopted in 2014, the structure of the public debt has been changed. Public debt is defined as debt of the central government (government debt) and debt of the local governments. Debt of the local governments is excluded from the domestic debt structure, while on the other hand, the amount that relates to the liabilities toward legal entities and companies are included in the domestic debt structure. In line with the new Law, the quarterly reports present government debt, while the annual reports present public debt.



## MACROECONOMIC ENVIRONMENT IN MONTENEGRO IN THE FIRST HALF OF 2024

After a significant growth of 6.3% in the previous year, a more moderate growth is expected for Montenegro this year despite numerous challenges from the international environment. International institutions predict that Montenegro's real GDP growth will range from 3.4 to 4.2 percent, which is also in line with the forecasts of the Ministry of Finance (3.8 percent) and the Central Bank of Montenegro (3.6 percent). According to preliminary data from MONSTAT, real annual GDP growth in the first half of this year amounted to 3.4 percent (4.4 percent in the first quarter and 2.7 percent in the second quarter), mainly as a result of increased household consumption. Government consumption and gross fixed capital formation also increased, and there was an increase in stock. Available statistical indicators for the first six months of the current year show positive results in transport, trade and construction, as well as a mild increase in tourist arrivals. However, there was a decrease in the number of tourist overnight stays, production of forest assortments, as well as in total industrial production, the latter due to a decrease in the electricity, gas and steam supply sector. Economic growth also generated improvement in the labour market, with a significant employment increase and unemployment decline.

Prices in Montenegro increased at a lower rate in the observed period compared to the previous year due to inflation slowdown at the global level. According to MONSTAT data, consumer prices were 4.8 percent higher on average in the period January - June 2024 compared to the same period of the previous year, while the prices in June this year were 4.1 percent higher year-over-year and the inflation rate rose 1.7 percent following the 2023 year-end. The price increase was partly mitigated by the administrative limitation of trade margins by the Government through the Decision amending the Decision on temporary measures to limit the prices of products of special importance for people's life and health and the list of products. The tourism sector saw a slight increase in domestic and foreign tourist arrivals but a decrease in overnight stays, as a result of a decrease in overnight stays by foreign tourists. According to preliminary data from MONSTAT, 885,186 tourists visited Montenegro during the first half of 2024, which is 0.82 percent more compared to the same period of the previous year. At the same time, tourist overnights amounted to 5.10 million, which is a decrease of 6.36 percent, whereby foreign tourist overnight dropped by 0.79 percent and domestic tourist overnights dropped by 7.08 percent. Compared to the pre-crisis year 2019, both tourist arrivals and overnights were higher, by 17.50 percent and 47.11 percent, respectively. And here the number of arrivals and overnight stays of foreign tourists were 16.18 percent and 47.95 percent higher, respectively.

As for transport, annual growth was recorded in all modes of transport, with MONSTAT data indicating that the highest relative growth of 15.84 percent was recorded in passenger traffic at air-

ports, while the highest growth in freight transport was recorded in freight transport via railway, 17.28 percent. The annual growth was also achieved in forestry, as supported by data on the growth of production of forest assortments in state forests of 54.3 percent.

According to MONSTAT data, industrial production recorded the annual decline of 6.7 percent, mostly due to a decline in the production of electricity, gas and steam supply sector of 24.2 percent, which is the result of a high base from the previous year, poor hydrological conditions, as well as the regular annual overhaul of the Thermal Power Plant Pljevlja. Increase in industrial production was recorded in the mining and quarrying sector and manufacturing industry of 10.6 percent and 8.3 percent, respectively. MONSTAT's preliminary data also indicates that construction recorded the year-over-year growth in the value of executed construction works and effective working hours of 3.09 percent and 0.85 percent, respectively. The year-over-year growth was also recorded in domestic retail trade, namely 6.1 percent expressed in constant prices and 10.3 percent in current prices.

As for the balance of payments of Montenegro, preliminary data shows that the current account deficit amounted to 858.38 million euros in the first half of 2024, which represents an increase of 55.23 percent year-on-year and is primarily the result of an increase in deficit in the goods account due to the growth of domestic demand and a decline in exports. The increase in the current account deficit was also a result of a decline in surpluses in the primary and secondary income accounts, but also in the services account due to a decrease in tourism revenues. The financial account recorded a net inflow arising from foreign direct and portfolio investments, while the other investments account recorded a net outflow.

Preliminary data on foreign trade deficit show that it reached 1,571.42 million euros in the reporting year and it was 15.06 percent higher year-on-year. A significant decline in exports, with a simultaneous increase in imports, led to a significant change in the structure of foreign trade, but without a significant impact on the total value of trade in goods, which amounted to 2,182.36 million euros (the annual increase of a mere 0.05 percent). Total exports of goods amounted to 305.47 million euros and were 102.22 million euros or 25.07 percent lower, mainly as a result of a decline in the export of electricity and non-ferrous metals. At the same time, total visible exports amounted to 1,876.89 million euros and it was 103.41 million euros or 5.83 percent higher year-over-year. The growth in imports was mainly influenced by the increase in imports of road vehicles, especially used ones, which is partly a result of the increase in the prices of this type of vehicles, but also of a growing demand due to the amended regulations governing the import of used vehicles.

The services account recorded a surplus of 488.17 million euros, which is 5.96 percent less than in the comparative six-month period last year, as a result of lower income from travel - tourism. Total revenues from services stood at 977.75 million euros (a 6.82 percent decrease) while the expenditure for services reached 489.58 million euros (a 7.67 percent decline). Estimated travel - tourism revenues amounted to 434.60 million euros or 3.98 percent less year-over-year, as a result of a drop in foreign tourist overnights. The primary and secondary income accounts recorded respective surpluses of 9.11 million euros and 215.76 million euros, which is the year-over-year decrease of 86.45 percent and 4.73 percent, respectively.

Net FDI inflow reached 245.39 million euros or 4.69 percent less than in the comparative six-month period last year. Total FDI inflow amounted to 422.13 million euros (a decrease of 6.71 percent) and this was largely due to a decrease in inflows from real estate investments, which amounted to 199.94 million euros (a decrease of 10.24 percent), as well as inflows from the withdrawal of in-

vestments from abroad, which amounted to 6.03 million euros or 79.08 percent less. Investments in companies and banks amounted to 59.89 million euros (a 15.24 percent increase), whereas investments in real estate reached 156.27 million euros (a 4.90 percent growth). Total FDI outflow amounted to 176.74 million euros or 9.38 percent less than in the comparative period.

Preliminary data indicate that total external debt of Montenegro amounted to 9,714.55 million euros at end-Q2 2024, which is 654.26 million euros more year-over-year, mainly as a result of increased debt of both the public sector as compared to the private sector. At the end of the reporting period, 43.18% percent of the external debt structure of Montenegro was the public sector's debt, while the remainder 56.82 percent was the private sector's debt.

The currency structure of the total foreign debt shows the major share of euro debts, 95 percent, which makes country risk relatively low considering that the euro is the official means of payment in Montenegro. The structure of the external debt of the private sector according to maturity is favourable considering that about 95% is of a long-term nature (deposits excluded).

The labour market continued recording positive trends from the previous period since the number of employees in the first half of 2024, as MONSTAT data indicates, reached 253,780, which is a growth of 6.27 percent year-over-year. Increase in the number of employees was recorded in all sectors, with the highest growth being in construction and the real estate sector of 13.47 percent and 13.16 percent, respectively, while the lowest employment was seen in the public administration and defence, compulsory social security of 0.38 percent and information and communications of 1.69 percent. At the same time, the number of unemployed persons on the records of the Employment Agency of Montenegro averaged at 36,642 or 14.65 percent less year-over-year. The registered unemployment rate amounted to 11.56 percent at end-June this year and it was 2.19 pp<sup>1</sup> lower year-over-year. MONSTAT data shows that the uptrend in earnings continued in the reporting period. The average gross earnings amounted to 1,035 euros, while the average earnings without taxes and contributions stood at 827 euros, both rising year-over-year by 6.59 percent and 5.89 percent, respectively.

In the first half of 2024, the public finances and the government budget saw significantly higher increases in the collection of budget revenues but also in public and budget expenditures compared to the same period of the previous year, while compared to the budget plan, revenues recorded an increase and expenditures declined.

It is estimated that the growth in revenue collection is mainly the result of increased revenue from value added tax collection. Also, a significant annual growth was achieved in the collection of corporate income tax, primarily due to improved tax discipline and the results achieved by business entities in the previous year.

Increased expenditures for pension and disability insurance transfers, as a result of increase in the minimum pension, caused an increase in expenditures at the annual level, while a decline in realised over planned expenditures was largely a consequence of a decrease in the expenditure for transfers to institutions, individuals, NGOs, and the public sector. The realized revenues and expenditures in the first half of 2024 resulted in a cash budget surplus of 30.49 million euros, which accounted for 0.42 percent of the estimated GDP for 2024, as well as in a public spending surplus of 42.81 million euros that made up 0.59 percent of GDP.

<sup>1</sup> The Employment Agency revised the 2023 unemployment rates.

At end-June this year, according to the Ministry of Finance preliminary data, Montenegro's gross government debt amounted to 4,478.03 million euros or 61.51 percent of GDP, which represents an increase of 10.30 percent compared to end-2023 as a result of growth in external debt arising from Eurobond issue. Of the total amount of gross government debt, 386.70 million euros or 5.31 percent of GDP referred to the domestic debt, while the 4,091.33 million euros or 56.20 percent of GDP referred to the external debt. Net government debt totalled 3,844.47 million euros or 52.81 percent of GDP. Despite the reduction, the level of government and public debt, especially their external segment as a large amount of Eurobonds will become due in the near future, still represents one of the biggest challenges for the future fiscal policy.

During the first six months of 2024, the banking sector in Montenegro operated with safety and stability, with high liquidity, solvency and profitability parameters. Banks' liquid assets remained at a high level during the observed period, amounting to 1,358.96 million euros at the end of the reporting period. The capital adequacy ratio was above the statutory minimum during both quarters of 2024 and at the end of the second quarter it stood at 19.50 percent.

Total assets and liabilities of banks amounted to 6,707.03 million euros at end-June this year, with some oscillations in trend during the reporting period. Total loans amounted to 4,482.98 million euros and they grew at the monthly average of 1.52 percent during this time. At the same time, total deposits stood at 5,383.36 million euros and also oscillated during the reporting period, declining at the monthly average rate of 0.27 percent. Non-performing loans decreased at an average monthly rate of 1.09 percent, which led to a decrease in the share of non-performing loans in total loans. At the end of June this year, banks achieved a positive financial result of 87.23 million euros, which represents the year-over-year increase of 20.81 million euros or 31.34 percent.

At end-June 2023, the weighted average effective interest rate on total loans granted amounted to 6.61 percent, being 0.27 pp and 0.02 pp higher year-on-year and compared to end-2023, respectively. The recorded annual growth is a consequence of the increase in the weighted average effective interest rate on new wholesale loans of 0.97 pp, while the weighted average effective interest rate on new retail loans decreased by 0.45 pp, which indicates the positive effects of the initiative of the Central Bank of Montenegro launched in March 2024 to reduce lending interest rates on new retail loans. To wit, the weighted average nominal interest rate on newly approved retail loans amounted to 7.21 percent in June this year, while the weighted average effective interest rate amounted to 7.93 percent, which are respective decreases of 0.68 pp and 0.86 pp compared to the previous quarter. At end-June this year, the weighted average deposit effective interest rate was 0.25 percent and it was 0.03 pp lower year-over-year and 0.03 pp higher compared to end-2023.

At the same time, total MFIs' assets and liabilities amounted to 100.41 million euros, which is a 18.58 percent increase year-on-year and a 11.41 percent growth compared to the end of the previous year. Total FDI outflow in this period amounted to 1.82 million euros, recording the year-on-year decrease of 24.88 percent. Total assets and liabilities of the Investment and Development Fund (IDF) amounted to 414.85 million euros at the end of the first half of 2024, which represent a decrease of 5.06 percent year-over-year and a 4.35 percent decline compared to the end of the previous year. The financial result of the IDF at the end of June this year amounted to 5.37 million euros, which is the annual growth of 56.40 percent. Total assets and liabilities of factoring companies amounted to 9.18 million euros, which is the annual growth of 2.05 percent and an increase of 13.26 percent compared to the end of the previous year, while total assets and liabilities of companies for the purchase of receivables amounted to 8.54 million euros or 6.77 percent less than in the comparative six-month period last year but also 3.04 percent more compared to the end of 2023.

# REAL SECTOR DEVELOPMENTS

01



## 1.1. Gross Domestic Product

After GDP recorded significant 6.3% growth in 2023 despite numerous international environment challenges, economic trends in H1 2024 point to moderate growth in Montenegro's economy. Preliminary MONSTAT data show that real GDP growth in the reporting period was 3.4% observed year-on-year. Most components of GDP consumption recorded the year-over-year growth, including private spending, government spending, gross fixed capital formation, visible and invisible imports, and imports of inventories while visible and invisible exports decreased. Basic short-term statistical indicators point to positive results in transport, trade, construction and a slight increase in tourists' arrivals. At the same time, decline was recorded in tourists' overnights, 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.

However, international institutions' GDP growth for Montenegro in 2024 range between 3.4% and 4.2% (table 1.1)<sup>2</sup>. The Ministry of Finance<sup>3</sup> forecasts expect the 3.8% increase, while the Central Bank of Montenegro (CBCG) forecast a 3.6% growth.

**Table 1.1**

International financial institutions' forecasts of Montenegro's GDP in 2024, in %	
Institution	Estimated growth rates
Wiiw	4.2
IMF	3.7
EBRD	3.5
European Commission	3.4
World Bank	3.4

Source: Websites of the listed institutions

The Ministry of Finance's baseline scenario forecast for the period 2025-2027 points to the average annual growth of 3.7% (with 4.8%, 3.1% and 3.2% growths in 2025, 2026 and 2027, respectfully). The basic assumptions for this scenario include stronger household spending, increased minimum and aver-

<sup>2</sup> IMF - *World Economic Outlook*, April 2024

World Bank - *Global Economic Prospects*, June 2024

EBRD - *Regional economic prospects*, May 2024

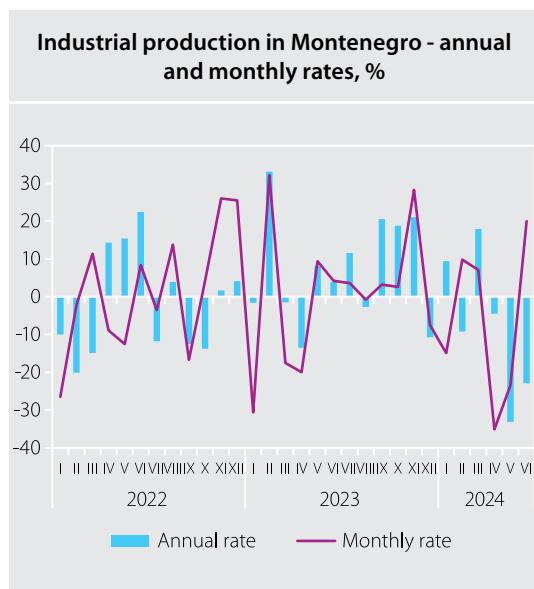
European Commission – Spring 2024 Economic Forecast, May 2024

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

<sup>3</sup> Source: Government of Montenegro - Draft Fiscal Strategy for Montenegro 2024–2027, September 2024

age wages and minimum pension, tax policy and business environment reforms, growing investment activity and continued growth in tourism with sector support measures, as well as relevant economic activity forecasts and inflation in Europe. The Ministry of Finance foresees the growth driven by domestic demand and growth in investments through business barriers easing. Medium-term growth is supported by priority activities for fulfilling the EU agenda in Montenegro's accession process, and its essential segment is the EU's new initiative - *the New Growth Plan for the Western Balkans*<sup>4</sup>. The level of convergence between the Western Balkan countries and the EU is not progressing fast enough, with the average GDP per capita according to the purchasing power standard of the Western Balkan countries being between 35% and 52% of the EU average (the latest available data from June 2024 show that GDP per capita according to the purchasing power standard in Montenegro stood at 52% of the EU average in 2023). The withdrawal of significant funds from the mentioned instrument can contribute to the economy's growth in the medium term and faster convergence towards the development average of the EU member states.

Graph 1.1



Source: MONSTAT

and high basis from the previous year (when it recorded 37.8% growth). The electricity output of the EPCG data amounted to 1,333 GWh in H1 2024 or 11% less than planned for that period. Of this amount, the output in hydropower plants amounted to 848 GWh or 13% less (output from water flows amounted to 60% of average for H1).<sup>5</sup> In the observed period, the EPCG earned 22.38 million euros based on electricity import/export (it purchased 430,304 MWh for 26.60 million euros and sold 544,669 MWh for 48.98 million euros).<sup>6</sup>

## 1.2. Industries

### 1.2.1. Industrial output

The MONSTAT data show that total industrial output recorded the year-over-year decline of 6.7% in H1 2024. It resulted mainly from a 24.2% output drop in Electricity, gas and steam supply due to high base from 2023 and unfavourable hydrological conditions. The remaining two sectors (mining and quarrying and manufacturing industry) recorded output increases of 10.6% and 8.3%, 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 June of 20.0%.

The *electricity, gas and steam supply* sector recorded the year-over-year production drop of 24.2% in H1 2024 due to the tropical wave, unfavourable hydrological situation in Montenegro

<sup>4</sup> For more details on the initiative visit the EU website [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_23\\_5604](https://ec.europa.eu/commission/presscorner/detail/en/ip_23_5604)

<sup>5</sup> Source: <https://press.co.me/> EPCG press release of 3 July 2024

<sup>6</sup> Source: EPCG- <https://www.epcg.com/media-centar/saopstenja-za-javnost/epcg-za-prvih-pola-godine-u-odnosu-uvoz-izvoz-elektricne-energije>

In early June, the Government of Montenegro adopted the *Draft Law on the use of energy from renewable sources*<sup>7</sup>, which regulates incentives for the output of energy from renewable sources and the issuance of guarantees of origin for energy produced from renewable sources, then, defines the share of energy from renewable sources, the status of customers - producers and communities of renewable energy sources, and regulates 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, and other issues of importance for using energy from renewable sources.

The year-on-year output increase in total *mining and quarrying sector* in the first half of 2024 of 10.6% mostly resulted from the increase in *metal ores mining* of 29.0% (with a share of 4.4% in total industrial output) after renewing the exploitation of bauxite ore from the Biočki stan pit was in the middle of the previous year. The output in *other mining*<sup>8</sup> increased by 36.5%, (with a minor share in total industrial output of 1.1%) was recorded in the reporting period. *Coal mining*, with 3.7% share in total industry output, also recorded a decline of 23.1%.

**Graph 1.2**



Source: MONSTAT

<sup>7</sup> Source: 34<sup>th</sup> Cabinet session held on 6 June 2022

<sup>8</sup> According to the classification of activities, this activity includes the mining and quarrying in mines, gravel pits, quarries, saltworks, etc.

*Manufacturing industry* recorded an 8.3% output growth. Output growth was recorded in eight areas that made up 37.6% of the total industrial production (table 1.2). The highest relative growth of 85.9% was recorded in *manufacture of chemicals and chemical products* (which had a share of 0.1% in total industrial output). However, due to higher share in total industrial output, *production of machinery and equipment n.e.c.* (share of 3.4% and 57.7% growth) and *production of food products* (share of 9.6% and 16.5% growth) contributed the most to manufacturing's growth. The lowest relative growth was in *production of basic pharmaceutical products* of 2.9% (its share in industrial output is 10.0%). At the same time, a decline in production was recorded in six areas of the manufacturing industry. The highest decline was recorded in *production of rubber and plastic products* (35.3%), while the lowest was in the *production of furniture* (17.2%).

**Table 1.2**

Year-on-year changes in the performance of the manufacturing industry of Montenegro in H1 2024 and the share of manufacturing industry in total output in 2023		Index QI-QII 2024 QI-QII 2023	Share in total output 2023 (in %)
Industry Field/Period			
MANUFACTURING INDUSTRY		108.3	48.5
Production of food products		116.5	9.6
Production of beverages		136.2	2.7
Manufacture of wearing apparel		151.8	0.1
Production of wood products, cork and the like		123.9	3.6
Production of paper and paper products		76.4	0.9
Printing and reproduction of audio and video recordings		68.0	0.2
Production of chemicals and chemical products		185.9	0.1
Production of basic pharmaceutical products		102.9	10.0
Production of rubber and plastic products		64.7	1.3
Production of other non-metal minerals products		116.5	8.1
Production of basic metals		80.7	7.8
Production of metal products, other than machinery and equipment		79.6	0.4
Production of machinery and equipment otherwise not mentioned		157.7	3.4
Manufacture of furniture		82.8	0.3

Source: MONSTAT

## 1.2.2. Tourism<sup>9</sup>

After outstanding results in tourism in 2023, preliminary MONSTAT data report a slight year-on-year increase in the tourists' arrivals in H1 2024 and a decline in overnights. However, the tourists' arrivals and overnights recorded a significant increase compared to the pre-crisis year.

MONSTAT preliminary data show that a total of 885,186 tourists visited Montenegro in the reporting period, which is the year-on-year rise of 0.82% and 17.50% more compared to the same period of 2019 (graph 1.3). The number of arrivals of both domestic and foreign tourists increased (1.05% and 0.79%, respectively) as well as in comparison with the pre-crisis year (33.21% and 16.18%, respectively).

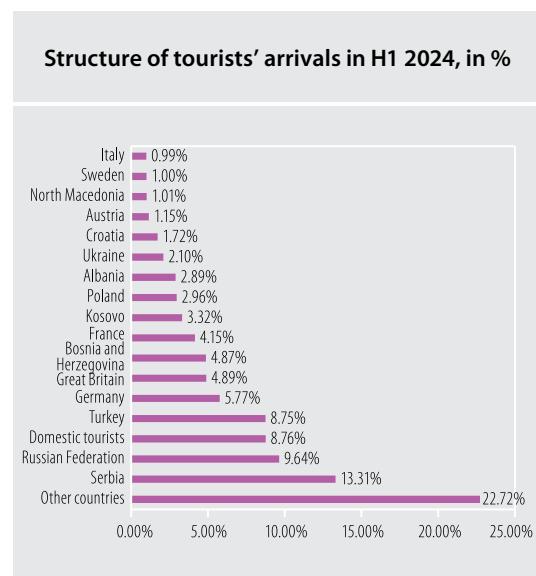
<sup>9</sup> Preliminary data

In this period, in the overall structure of arrivals, the most represented tourists were from the Serbia (13.31%), Russian Federation (9.64%), Türkiye (8.75%), Germany (5.77%), the United Kingdom (4.89%), Bosnia and Herzegovina (4.87%) and France (4.15%) (graph 1.4). The growth was recorded with tourists from most of countries with significant share in the total arrivals structure, while tourists from the Russian Federation, Albania, Germany and France recorded respective declines of 33.11%, 14.47%, 4.18% and 0.74%.

In the same period, there were 5.10 million overnights or 6.36% less than in the comparative period of the previous year (graph 1.5). Of the total number of these overnights, domestic tourists accounted for 271,678 showing an increase of 8.52%, while foreign tourists recorded 4.83 million overnights or 7.08% less. Compared to the same period in 2019, the total number of overnights was 47.11% higher, whereby the number of domestic tourist overnights and foreign tourist overnights rose by 33.75% and 47.95%, respectively.

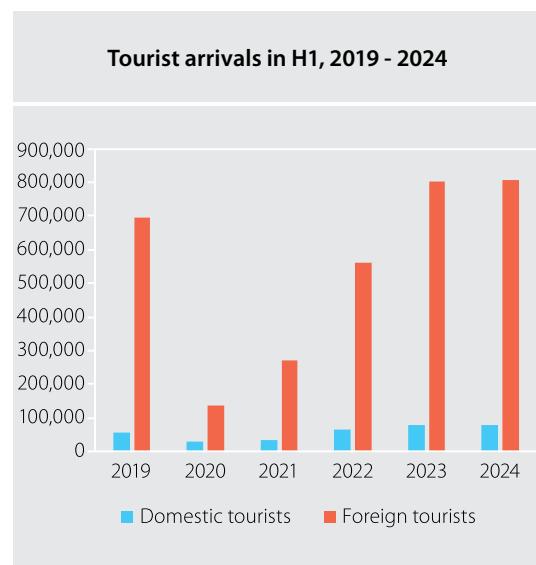
The highest number of overnights was in individual accommodation (63.70% of total overnights), with a year-on-year decrease of 10.95%. It mainly resulted from the decline of overnights by tourists from Russia (of 36.49%), Germany (of 10.86) and Ukraine (of 1.64%), which accounted for the respective 45.03% in the structure of total overnights. On the other hand, overnights in collective accommodation<sup>10</sup> (with a share of 36.30% of

**Graph 1.4**



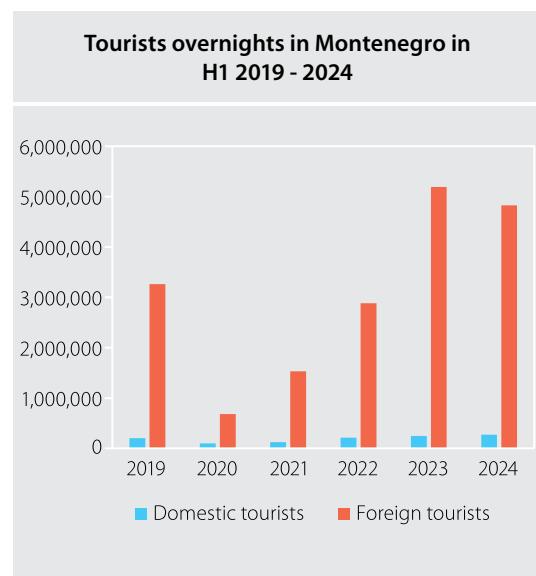
Source: MONSTAT

**Graph 1.3**



Source: MONSTAT

**Graph 1.5**

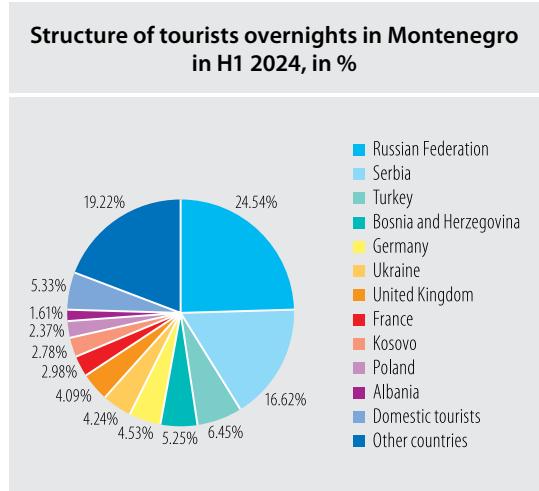


Source: MONSTAT

<sup>10</sup> Collective accommodation objects include hotels, guest houses, tourist resorts, resort camps, hostels, camps, etc.

total overnights) grew by 2.94%. The coastal region continually records the highest number of overnights in collective accommodations (86.08%). Overnights in the capital accounted for 8.17%, while sport and other events organised in the municipalities in the northern part contributed to attracting tourists and partially compensating the missing ski season (with 3.06% in the overnights structure).

**Graph 1.6**



Source: MONSTAT

In the reporting period, in the total structure of overnights, the most represented were tourists from the Russian Federation (24.54%), Serbia (16.62%), Türkiye (6.54%), Bosnia and Herzegovina (5.25%), Germany (4.53%), Ukraine (4.24%), and the United Kingdom (4.09%) (graph 1.6). A year-on-year decrease in the number of overnight stays by tourists from the Russian Federation, Germany and Ukraine (of 35.58%, 4.72%, and 3.54% respectively) had the largest contribution to the overnights decline, while the most of countries with a significant share in structure recorded growth in overnights year-on-year.

This April, the National Tourism Organisation of Montenegro presented the results of the Survey on the attitudes and spending habits of tourists in Montenegro - *Guest Survey 2023*. The survey covered a wide range of parameters, including

the tourists' profile, reasons for arrival, their preferences and consumption, satisfaction with services and perception of the destination in 10 municipalities of Montenegro: Budva, Bar, Kotor, Herceg Novi, Tivat, Ulcinj, Cetinje, Podgorica, Žabljak and Kolašin. The survey showed that 94.4% of tourists would highly recommend Montenegro as a tourist destination and have recognised many advantages of Montenegro (including hospitality, a sense of security, opportunities for entertainment, and the price-quality ratio of services). Moreover, the survey identified areas that require improvement to increase Montenegro's competitiveness in the tourist market, especially regarding to traffic availability and infrastructure<sup>11</sup>.

During April, the initial activities of the project "Strengthening of transatlantic tourism cooperation between the chambers of commerce of the Western Balkans and the USA"<sup>12</sup> were carried out to create a joint tourist product and promote the offer on the US market. In May, representatives of chambers of commerce signed a memorandum on strengthening transatlantic cooperation in tourism between the Western Balkan countries and the United States of America.

<sup>11</sup> More at: <https://www.montenegro.travel/en/business/press/news/guest-survey-2023-over-94-of-tourists-would-recommend-montenegro-as-a-vacation-destination-2024-04-03>

<sup>12</sup> Source: Chamber of Economy Journal, March-April 2024

### 1.2.3. Forestry

According to MONSTAT data, a total of 47,850 m<sup>3</sup> of forest assortments from the state forests<sup>13</sup> were produced in H1 2024, which is 54.3%<sup>14</sup> less than in the comparative period of the previous year (graph 1.7). In the structure of the forest assortments, conifers accounted for 77.66%, of which the largest share related to the production of conifers logs (72.83%), while broadleaf made up 22.34% of total production, of which the largest part related to cord broadleaf wood (48.53%).

The Annual Forest Management Program for 2024 was adopted in April<sup>15</sup>. The Budget of Montenegro allocated 6.68 million euros for its implementation. The Program contains a plan of activities related to the arrangement, protection, cultivation and use of forests, construction and reconstruction of forest roads, and the use of non-timber forest products. The goal of the Program is to ensure the satisfaction of the ecological function of forests through forestry cultivation works, to encourage competitiveness and increase employment in forestry and wood industry, and to improve the quality of life of the population in rural areas.

In late April, the Government of Montenegro adopted the *Draft Law on Forests*<sup>16</sup>, which aims to improve forest management, achieve forest management sustainability, and develop the wood industry in Montenegro. The draft law defines the abolition of 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 for 2024 - 2029, which is planned to be adopted by the end of this year.

### 1.2.4. Construction

Preliminary MONSTAT data for H1 2024 indicate the *value of executed construction works* increased by 3.09% (it amounted to 154.55 million euros) year on year while *construction activity measured by the effective working hours* grew by 0.85% (it amounted to 8.75 million euros) after negative trend recorded in the last three years. However, the *value of new contracts on buildings* decreased by 16.46% in H1 2024 (it amounted to 70.92 million euros), mainly resulting from high basis in H1 2023, when it recorded the highest value over the last four years (84.89 million euros). The *value of new contracts on other buildings* amounted to 82.76 million euros, and it decreased by 3.90% annually. The future pe-

<sup>13</sup> The total 2024 production of forest assortments (from national and private forests) is to be published by MONSTAT at end-2025.

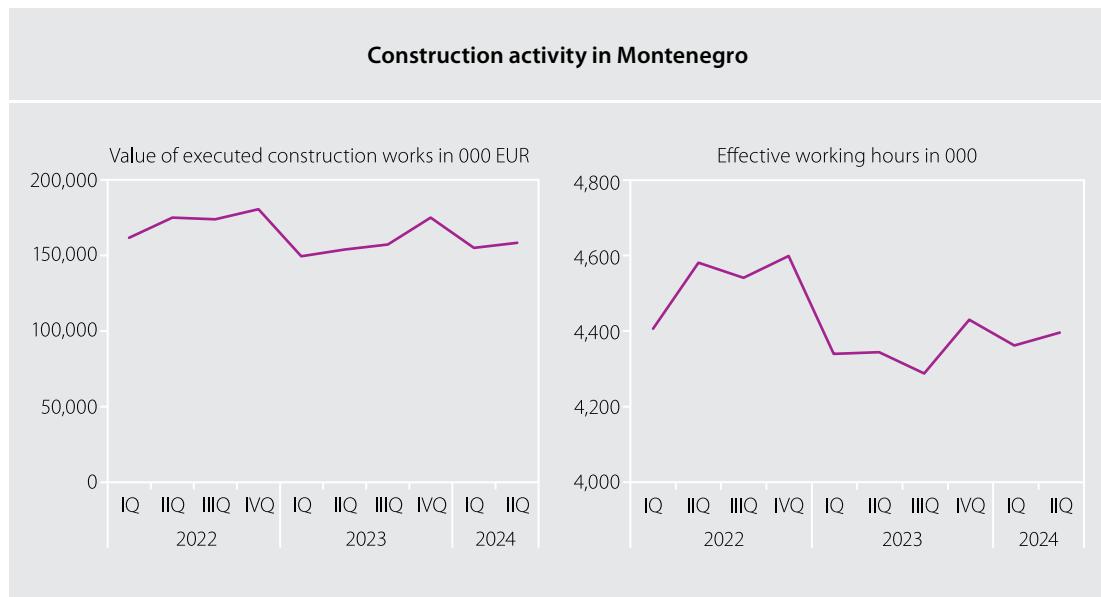
<sup>14</sup> Presented through weighted index

<sup>15</sup> Source: Government of Montenegro - Press release from the 26th Cabinet session, 18 April 2024

<sup>16</sup> Source: Government of Montenegro - Press release from the telephone Cabinet session, 30 April 2024

riod should bring better results in this sector, primarily considering that the Government of Montenegro's strategic documents planned growth in investments. Namely, the Government of Montenegro's Fiscal Strategy of Montenegro 2024 - 2027 foresees that the adopted capital budget for 2024 and the planned public investments in the following years have allocated significant funds for infrastructure development. Its most important projects include continuing the construction of the second route of the Bar-Boljare highway (Mateševu-Andrijevica section), reconstructing the existing road infrastructure, and projects in health and education sectors. As a new instrument in stimulating convergence towards the European development average, the EU Growth Plan is expected to provide additional funds for financing capital projects and planned structural reforms in the economy.

**Graph 1.8**



Source: MONSTAT

### 1.2.5. Transport

In H1 2024, most segments of transport recorded positive trends. The highest growth was recorded in the air passenger transport (with turnover exceeding the H1 in the pre-crisis year), while the highest growth in freight transport was in railway transport.

To develop the railway infrastructure, the European Investment Bank (EIB) and the Ministry of Finance signed a significant Loan Agreement for the Montenegrin Railway Improvement Project and the EIB and the Ministry of Transport and Maritime Affairs signed a Grant Agreement for the same project in May<sup>17</sup>. The project will enable the reconstruction of the 167 km long railway tracks in Montenegro to improve the tracks' efficiency, safety and capacity while facilitating the transition to a greener transport system in the country.

<sup>17</sup> More on: <https://www.gov.me/clanak/potpisan-ugovor-sa-eib-755-miliona-eura-za-rekonstrukciju-167-kilometara-duge-zeljeznicke-pruge>

Preliminary MONSTAT railway transport data show that 6.76%<sup>18</sup> more passengers were transported in the reporting period, while the freight transport also increased by 17.28%<sup>19</sup>. In the same period, the number of passengers in road transport increased 6.0%<sup>20</sup>, and freight transport increased 8.32%.<sup>21</sup>

When it comes to passenger air transport, a total of 1.12 million passengers were transported in the same period, which is 15.84% 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 8.87% and 33.02%, respectively. Most of the passengers came from Serbia, Turkey, Germany, the United Kingdom and Poland, which corresponds to data on countries with the highest share in the foreign tourists' arrivals to Montenegro. To expand air availability, the national carrier "Air Montenegro" established a direct route Tivat - Baku during Q2 and, amid increased interest of Turkish citizens for our destination, in addition to Podgorica, Tivat also got a direct airline with Izmir since the beginning of April. Moreover, air connections between the Tivat airport and the airports in London and Birmingham during the summer months were established, and the new line Bristol-Tivat was launched at the end of June. Moreover, air connections between the Tivat airport and the airports in London and Birmingham during the summer months were established, and the new line Bristol-Tivat was launched at the end of June. In H1 2024, there was an increase in the cargo traffic at the airports of 9.89%, in the amount of 300 tons.

Total cargo turnover in ports amounted to 1.22 million tonnes and it was 20.28% higher compared year-on-year. Of this amount, exports accounted for 63.43% and imports the remaining 36.57%. According to MONSTAT data, the visible export from Montenegrin ports, expressed in tons, increased by 40.31% mainly to China, Italy and Singapore. The visible import in tons in Montenegrin ports decreased by 3.60%, mainly due to lower imports from Croatia and Italy.

**Graph 1.9**

**Road passenger transport by in H1 over the period 2014 - 2024, in 000**



Source: MONSTAT

**Graph 1.10**

**Passenger traffic at airports in Montenegro in H1 2014 - 2024**



Source: MONSTAT

<sup>18</sup> Presented in the number of passengers transported in thousands, while presented in passenger kilometres, it rose 7.54%.

<sup>19</sup> Presented in thousand tonnes, while presented in ton-kilometres, it increased by 6.0%.

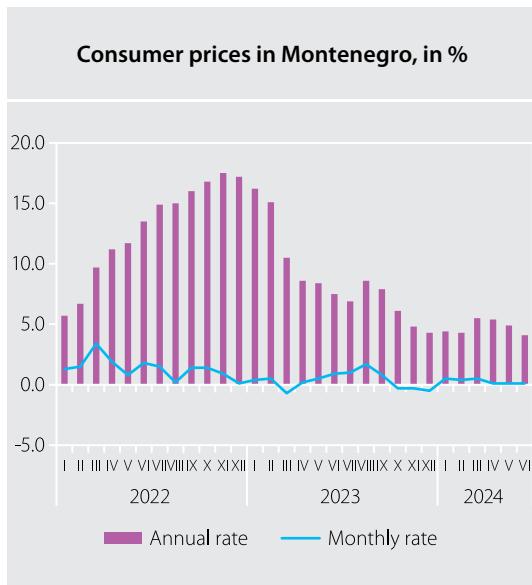
<sup>20</sup> Presented in the number of passengers, while presented in passenger-kilometres, it increased by 8.78%.

<sup>21</sup> Presented in transported goods expressed in thousands of tons, while presented in tons km it decreased by 6.22%.

## 1.3. Prices

Many countries continued the trend of slowing previous year's inflation in H1 2024. Still, inflation in many countries still exceeds target, and the consumer price disinflation pace slowed. The IMF's<sup>22</sup> July 2024 forecast shows that global average inflation will amount to 5.9% this year (dropping from 6.7% in 2023), while the ECB June forecast<sup>23</sup> shows that the average inflation rate in the euro area will be 2.5% (drop from 5.4% in 2023) to additionally decrease in 2025 to the level near the target.

**Graph 1.11**



Source: MONSTAT

able 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*<sup>24</sup>. 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<sup>25</sup> (focusing on products from domestic producers) increased its validity was expended until end-June.

Price growth in housing, water, electricity gas and other fuels of 1.9% compared to December 2023 was the main contributor to the growth of total inflation (0.27 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 last December 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 En-

In the first half of 2024 compared year-on-year, consumer prices were on average higher by 4.8%, while prices in June 2024 were higher by an average of 4.1% compared to June 2023. Compared to December 2023, they increased by 1.7% in average. An increase in prices in the category *food and non-alcoholic beverages, housing, water, electricity gas and other fuels, hotels and restaurants, and communication* mainly contributed with 1.6%, 1.9%, 4.2% and 5.3%, respectively (table 1.3).

In the same period, growth was recorded in ten (of twelve) categories within the consumer basket which accounted for 90.55% of the basket (table 1.3). Price growth in food and non-alcoholic beverages of 1.6% was the main contributor to the growth of total inflation (with 0.56 pp), mostly as a result of the increase in the prices of fruits (19.8%), coffee, tea and cocoa (9.6%), meat (2.6%), and milk, cheese and eggs (2.0%). To decrease inflation in some categories and protect "vulnerable

<sup>22</sup> Source: IMF- World Economic Outlook Update, July 2024: The Global Economy in a Sticky Spot, July 2024

<sup>23</sup> Source: ECB - Eurosystem staff macroeconomic projections for the euro area, June 2024

<sup>24</sup> Source: OGM 26/24 of 25 March 2024

<sup>25</sup> Source: OGM 50/24 of 30 May 2024

ergy<sup>26</sup>. In the reporting period, prices grew in the categories communications (5.3%), restaurants and hotels (4.2%), furnishing, household equipment and routine household maintenance and recreation and culture (2.0% each), transport (1.7%), miscellaneous goods and services (1.5%), alcoholic beverages and tobacco (1.4%) and health care (1.0%). Prices under clothing and footwear decreased 0.7%, while prices under education recorded no change in June 2024 compared to December 2023.

**Table 1.3**

Growth rate and contribution of individual categories in total inflation <sup>27</sup> in Montenegro				
	Weights	VI 24/XII 23	Growth rate	Contribution
TOTAL	1,000.0	101.7	1.7	1.7
Food and non-alcoholic beverages	360.6	101.6	1.6	0.6
Alcoholic beverages and tobacco	39.1	101.4	1.4	0.1
Clothing and footwear	76.8	99.3	-0.7	-0.1
Housing, water, electricity, gas and other fuels	141.5	101.9	1.9	0.3
Furnishing, household equipment and routine household maintenance	44.2	102.0	2.0	0.1
Health	38.4	101.0	1.0	0.0
Transport	112.6	101.7	1.7	0.2
Communication	42.5	105.3	5.3	0.2
Recreation and culture	30.2	102.0	2.0	0.1
Education	17.7	100.0	0.0	0.0
Restaurants and hotels	52.5	104.2	4.2	0.2
Miscellaneous goods and services	43.8	101.5	1.5	0.1

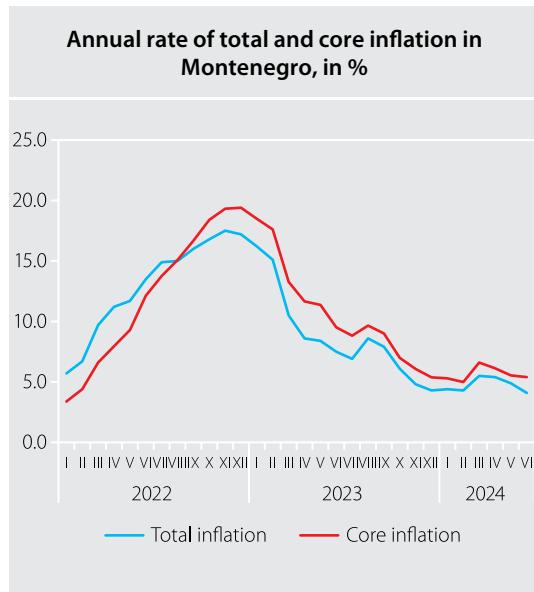
Source: MONSTAT and CBCG calculations

In June 2024, the annual core inflation rate stood at 5.4% and it was 1.3 pp higher than total annual inflation<sup>28</sup>. 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. The annual core inflation was higher than the total inflation in all six months in H1 2024 (graph 1.12). The largest spread between total annual and core inflation was recorded in June 2024 due to price changes of certain products that are 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).

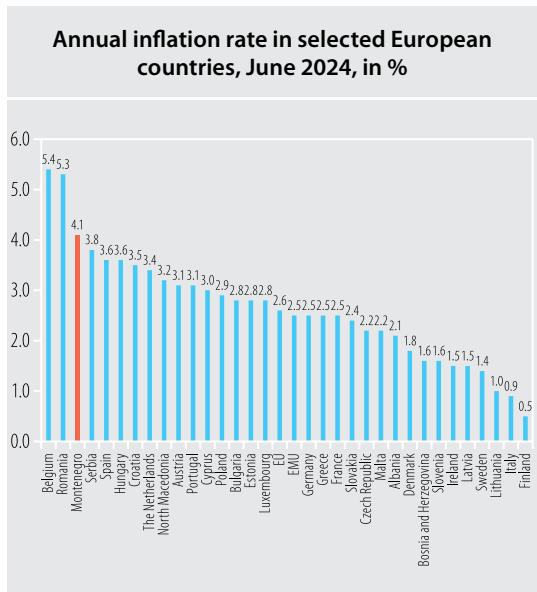
<sup>26</sup> More details at: <https://vikpg.me/en/customer-area/price-list.html>

<sup>27</sup> 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.

<sup>28</sup> 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](https://www.cbcg.me/slike_i_fajlovi/eng/fajlovi/fajlovi_publikacije/radne_studije/obracun_bazicne_stope_inflacije_english.pdf)

**Graph 1.12**

Source: MONSTAT and CBCG calculations

**Graph 1.13**

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

Total annual inflation stood at 4.1% this June. The price growth of 6.7% in the *housing, water, electricity, gas and other fuels* category gave the largest positive contribution (of 0.92 pp) to the increase in total annual inflation. Prices in this and in *clothing and footwear and food and non-alcoholic beverages* category (with respective growths of 10.9% and 1.4%) were the biggest contributors to the growth of annual inflation in Montenegro in June.

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 June 2024 was recorded in Serbia (3.8%), North Macedonia (3.2%) and Albania (2.1%), while Bosnia and Herzegovina recorded the rate of 1.6% (graph 1.13).

The annual inflation rate recorded in the EU, measured by the harmonised index of consumer prices (HICP)<sup>29</sup> stood at 2.6% in June 2024. Of the EU member states, the highest annual rate was recorded in Belgium and Romania (5.4% and 5.3%, respectively) and the lowest in Finland (0.5%). The annual HICP inflation in the euro area amounted to 2.5% and it was 0.4 pp lower than the annual rate in December 2023 and the highest contributors to inflation of 1.84 pp and 0.48 pp came from the annual price growth of services and food, alcoholic beverages and tobacco with 4.1% and 2.4%, respectively. In its June report<sup>30</sup>, the European Central Bank forecasted inflation in the euro area of 2.5% in 2024 and 2.2% in 2025.

In H1 2024, average oil price was higher compared to the same period last year. The highest price of 89.89 USD/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 in Q2. The price of the OPEC reference basket averaged at 83.57 USD/bbl. in H1 2024, being 5.10%

<sup>29</sup> 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.

<sup>30</sup> Source: ECB - Eurosystem staff macroeconomic projections for the euro area, June 2024

higher than the average recorded a year ago. In the reporting period, the average price of Brent was 83.95 USD/bbl. or 5.14% more year-over-year. According to the World Bank report<sup>31</sup> from June 2024, the average price of crude oil in the current year is expected to amount to 82.6 USD/bbl., showing an increase to 84 USD/bbl., and to average to decline to 79 USD/bbl. in 2025. Still, the report states that near-term oil price forecast is uncertain given the potential supply disruptions problems in current geopolitical conflict areas.

**Producers' prices of manufactured products** recorded an increase of 1.2% in June this year compared to December 2023. Price growth was recorded in the mining and quarrying and manufacturing industry sectors of 1.6% and 1.7%, respectively. Prices remained unchanged in the electricity, gas and steam supply sector. In June, the producers' prices of manufactured products recorded an annual growth of 4.1%.

In H1 2024, the year-over-year increase of 6.1% was seen in internal retail trade, expressed in constant prices (10.3% 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 H1 2024. The number of employees and wages increased, while unemployment dropped.

### Employment

The average number of employees in the reporting period was 253,780, which represents a growth of 6.27% on an annual basis. The highest employment growth was seen in all branches, with the highest being in construction and real estate activities (13.47% and 13.16%, respectively), and the lowest in public administration and defence, compulsory social security and information and communications (0.38% and 1.69%, respectively). In June this year, the total number of employees was 265,527 or 5.06% more year-over-year.

**Graph 1.14**

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



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

**Graph 1.15**

**Average number of employees in January-June 2014 - 2024**

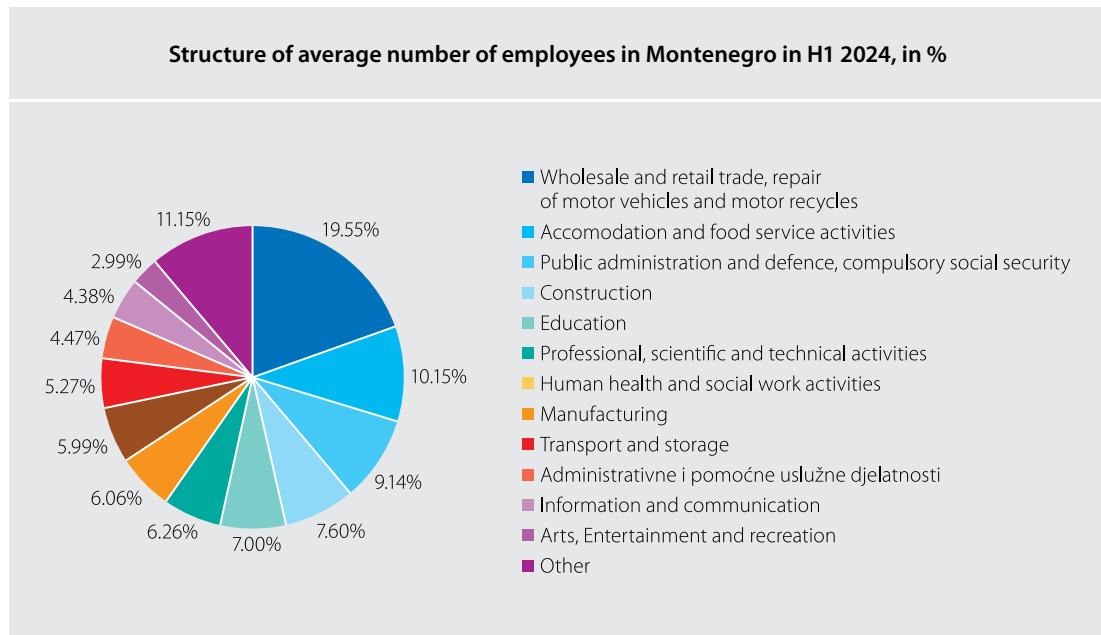


Source: MONSTAT

<sup>31</sup> World Bank - Global Economic Prospects, June 2024

The structure of employees in the reporting period (graph 1.16) that the largest number of employees were in the wholesale and retail trade; repair of motor vehicles and motorcycles (19.55%), accommodation and food service activities (10.15%), public administration and defence; compulsory social security (9.14%), construction (7.60%), education (7.00%), professional, scientific and technical activities (6.26%), and manufacturing (6.06%).

**Graph 1.16**



Source: MONSTAT

At the end of June 2024, there were 34,175 unemployed persons on the records of the Employment Agency of Montenegro (EAM), which is the lowest number since October 2019 (graph 1.17). In H1 2024, the number of registered unemployed persons averaged at 36,642, which is 14.65% less year-on-year. The unemployment structure by the duration of looking for job shows that the EAM records point that 20,385 persons or 58.72% were registered by the EAM for over three years, and 12,197 or 35.13% were registered over five years.

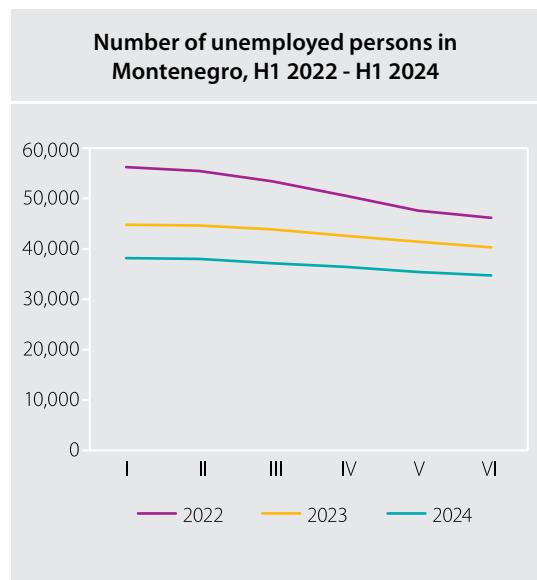
The EAM records shows that the registered unemployment rate amounted to 11.56%<sup>32</sup> in June this year and it was 2.19 pp<sup>33</sup> lower year-over-year. On the quarterly level, Monstat publishes different unemployment rate in the Labour Force Survey that follows the EUROSTAT recommendations. Graph 1.18 shows trends of these two rates, and more information on the calculation methodology can be found at the link in the footnote.<sup>34</sup>

<sup>32</sup> 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).

<sup>33</sup> The EAM revised its unemployment rates for 2023.

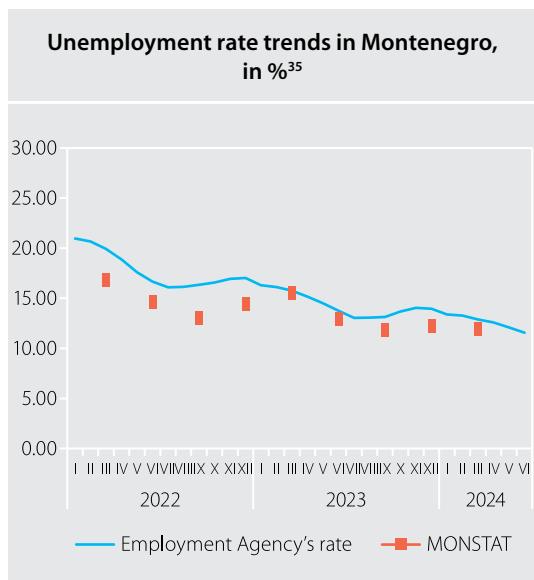
<sup>34</sup> Guide on manner of determining survey and registered unemployment rate [https://www.monstat.org/userfiles/file/ars\\_Prirodnik%20nezaposlenosti%20u%20CG\\_20\\_3\\_2015ENG\(1\).pdf](https://www.monstat.org/userfiles/file/ars_Prirodnik%20nezaposlenosti%20u%20CG_20_3_2015ENG(1).pdf)

Graph 1.17



Source: Employment Agency of Montenegro

Graph 1.18



Source: MONSTAT and EAM

## Earnings

MONSTAT data show that the average gross salary amounted to 1,035 euros in H1 2024, while the average salary without taxes and contributions stood at 827 euros, and both recorded a year-on-year growth of 6.59% and 5.89%, respectively. As planned for the upcoming period, the increase in wages from the Collective Agreement for Education<sup>36</sup> is planned to come into force on 1 September 2024. It foresees increasing net wage by at least 17% (including the 10% increase from 1 July 2024).

The largest wages without taxes and contributions were recorded in the *financial and insurance activities* (1,296 euros) and *electricity, gas, steam, and air conditioning supply* (1,210 euros), while the lowest earnings had employees in *administrative and ancillary services sector* (663 euros) and *manufacturing industry* (667 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* (14.88%), *professional, scientific and technical activities* (14.01%), followed by *other service activities* by 12.98% and *accommodation and food service activities* by 10.60%, while wages grew the least in the *education* by 0.62%.

<sup>35</sup> While compiling the report, the unemployment data from the Labour Force Survey for Q2 2024 were not available.

<sup>36</sup> Source: Cabinet Session, 12 April 2024

**Table 1.4**

	Average earnings without taxes and contributions in Montenegro, in euros, by sectors		
	Earnings without taxes and contributions Ø I - VI 2023	Earnings without taxes and contributions Ø I - VI 2024	Index Ø I - VI 2024 Ø I - VI 2023
TOTAL	781	827	105.89
Agriculture, forestry and fishing	695	765	110.07
Mining and quarrying	1,033	1,043	100.97
Manufacturing industry	608	667	109.70
Electricity, gas, steam, and air conditioning supply	1,202	1,210	100.67
Water supply and waste water management	672	772	114.88
Construction	726	769	105.92
Wholesale and retail trade; repair of motor vehicles and motorcycles	643	707	109.95
Transport and warehousing	729	779	106.86
Accommodation and food service activities	698	772	110.60
Information and communication	1,012	1,059	104.64
Financial and insurance activities	1,239	1,296	104.60
Real estate activities	964	995	103.22
Professional, scientific and technical activities	685	781	114.01
Administrative and ancillary service activities	623	663	106.42
Public administration and defence; compulsory social security	870	933	107.24
Education	802	807	100.62
Human health and social work activities	900	910	101.11
Arts, entertainment and recreation	690	750	108.70
Other service activities	655	740	112.98

Source: MONSTAT

### Box 1.1 – Average earnings in countries of the former Yugoslavia, June 2024

Data on average earnings in June 2024 showed substantial differences by 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 North Macedonia (14.8%), followed by Croatia (14.3%), Serbia (12.0%), Bosnia and Herzegovina (8.5%), and Montenegro (5.4%), while the lowest wage growth was seen in Slovenia (2.6%). 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 June 2024, in euros

Country	Gross earnings	Net earnings
Slovenia	2,367	1,502
Croatia	1,819	1,315
Montenegro	1,050	838
Serbia	1,130	818
Bosnia and Herzegovina	1,088	703
North Macedonia	1,023	682

Source: Statistical offices and central banks of the aforementioned countries



# MONETARY DEVELOPMENTS

02



## 2.1. Most important developments in the banking sector

During the first six months of 2024, the banking sector in Montenegro was highly liquid although daily liquidity ratio (1.41) and ten-day liquidity ratio (1.37) were lower both year-on-year and compared to the end of 2023.

Liquid assets of banks decreased by 19.61% year-on-year. At the same time, the loans to deposits ratio increased from 0.76 to 0.83.

The total assets of banks amounted to 6,707.03 million euros and it increased by 202.48 million euros or 3.11% year-over-year, mainly due to the growth of total loans which increased by 498.81 million euros or 12.52%. Compared annually, investments in securities increased by 85.88 million euros or 7.47%, while cash and deposit accounts with central banks declined by 412.10 million euros or 31.37%. At the same time, deposits (5,383.36 million euros) made up the prevailing share of 80.26% in the structure of banks' liabilities and capital, recording the highest growth of 112.90 million euros or 2.14%.

Observed by sectors, retail loans recorded the highest annual growth of 375.94 million euros or 11.63% and (i.e. 75.37% of total growth in the reporting period). Observed by purpose, most banking loans were cash loans (20.57%) and liquidity loans (19.22%). Banks granted 824.51 million euros of new loans in the reporting quarter, which is 181.72 million euros or 28.27% more year-on-year. The prevailing share of these loans, 246.53 million euros or 29.90%, were liquidity loans, and cash loans that accounted for 228.62 million euros or 27.73%.

Non-performing assets of banks amounted to 267.65 million euros declining by 13.76 million euros or 4.89% on the annual level, as well as their share in total assets of banks by 0.34 pp to 3.99%. At the same time, non-performing loans, which make up the largest portion of non-performing assets, decreased by 16.01 million euros (or 7.69%) and amounted to 192.16 million euros, and their share in total loans decreased by 0.94 pp to 4.29%.

The allocated reserve requirement increased in line with the growth of the base for its calculation (deposits in banks) by 17.48 million euros or 6.47% on the annual basis and it reached 287.64 million euros.

At end-June 2024, the weighted average effective interest rate (WAEIR) on total loans granted amounted to 6.61% being 0.27 pp higher year-on-year and 0.02 pp higher compared to end-2023. Since the CBCG started the initiative of decreasing lending interest rates on new loans for households in March

2024, the June 2024 data already point to decrease in these rates following the initiative. To wit, the WANIR and WAEIR on new banking loans were 7.21% and 7.93%, showing respective decreases of 0.68 pp and 0.86 pp quarter-on-quarter. At end-June 2024, the weighted average deposit effective interest rate was 0.25% and it was 0.03 pp lower year-over-year yet 0.03 pp higher compared to the end of the previous year.

Total capital of banks amounted to 834.31 million euros and it rose 78.63 million euros or 10.40% on the annual level, with ten banks recording capital increase and one of them registering capital decline. The solvency ratio at the banking system level stood at 19.50% (a 0.63 pp annual drop) and it was above the statutory minimum of 8%.

Banks recorded a positive financial result in the total amount of 87.23 million euros, which represents the year-on-year increase of 20.81 million euros or 31.34%. All eleven banks reported profit.

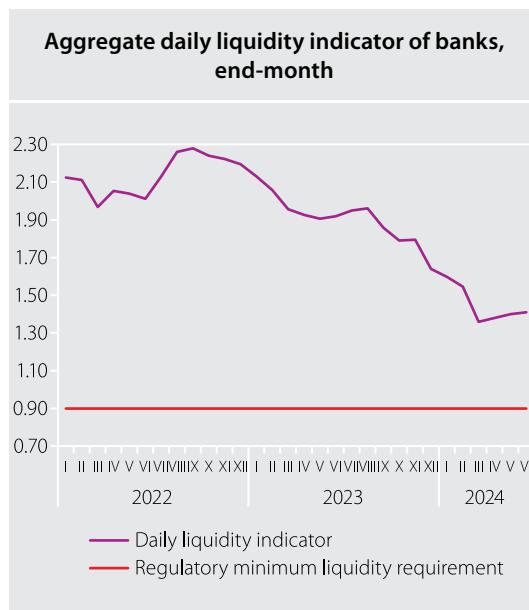
### 2.1.1. Banks' liquidity

During H1 2024, the banking sector of Montenegro was highly liquid, as shown by the key liquidity indicators which, at the aggregate level, were above the prescribed minimum<sup>37</sup> (graphs 2.1 and 2.2).

Observed by banks, all eleven banks regularly settled their current obligations and maintained their daily and ten-day liquidity ratios above the statutory minimum during the reporting period.

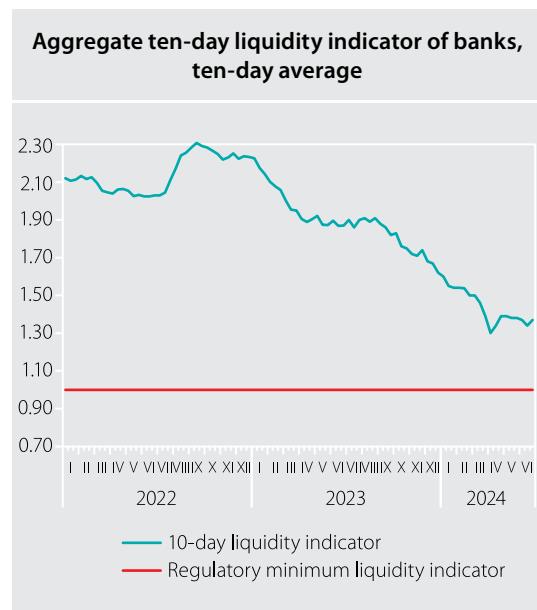
At the end of the reporting period, the daily liquidity ratio amounted to 1.41 and it was lower compared to June 2023 when it stood at 1.92 and compared to the end-2023 when it stood at 1.64.

**Graph 2.1**



Source: Daily bank reports

**Graph 2.2**



Source: Ten-day bank reports

<sup>37</sup> The Decision on Minimum Standards for Liquidity Risk Management in Banks is in force (OGM 60/08), which laid down the obligation of banks to maintain minimum liquidity ratios on a respective daily and ten-day basis of 0.9 and 1.0.

At end-June 2024, ten-day liquidity ratio amounted to 1.37 and it was lower year-on-year (1.87) and compared to the end-2023 when it stood at 1.62.

In the first six months of the current year, the average ten-day liquidity indicator amounted to 1.43 compared to 1.98 at the end of the same period of 2023.

Observed by banks, all banks regularly settled their current obligations and maintained their daily and ten-day liquidity ratios above the statutory minimum during H1 this year.

Banks' liquid assets amounted to 1,358.96 million euros at the end of the reporting period. Compared year-on-year, banks' liquid assets were 331.50 million euros or 19.61% lower, and 238.55 million euros or 14.93% lower compared to the end of 2023. The share of liquid assets in total assets was 20.26% at end-June 2024, 25.99% at end-June 2023, and 23.72% at end-December 2023.

The loans to deposits ratio stood at 0.83 at end-June 2024, being by 0.08 pp higher than a year ago when it amounted to 0.76, yet 0.08 pp higher compared to end-2023 (graph 2.3).

**Graph 2.3**

**Loans to deposits ratio in banks, end-month**



Source: Banks' monthly reports

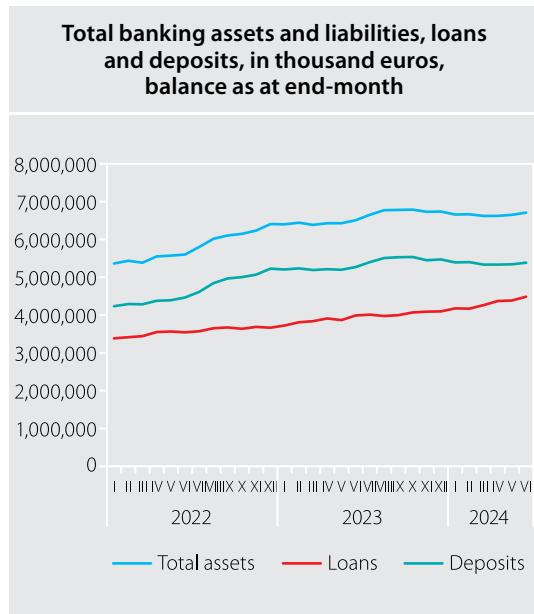
## 2.1.2. Aggregate balance sheet of banks

At end-June 2024, banks' total assets amounted to 6,707.03 million euros, recording the increase of 202.48 million euros or 3.11% compared year-on-year, yet the decrease of 27.23 million euros or 0.40% compared to end-2023.

The year-over-year growth of total assets was primarily due to an increase in total loans that rose 498.81 million euros or 12.52%, as well as an increase in receivables from securities by 85.88 million euros or 7.47%. Cash and deposit accounts with central banks declined by 412.10 million euros or 31.37%, while the category "other assets" grew 23.03 million euros or 8.80%.

Observed in relation to the end of 2023, total assets grew mainly due to an increase in total loans of 387.77 million euros or 9.47%, and in "other assets" by 4.21 million euros or 1.50%. At the annual level, the cash and deposit accounts with central banks decreased by 343.33 million euros or 27.58%, as well as receivables from securities of 76.09 million euros or 5.80%.

As for the structure of liabilities, the largest year-on-year growth was recorded by deposits, 112.90 million euros or 2.14%, followed by total capital in the amount of 78.63 million euros or 10.40%. Moreover, "other liabilities" grew by 33.96 million euros or 16.89%, as did financial derivatives by 681,000 euros or 215.51%. On the other hand, borrowings declined by 23.70 million euros or 8.55%.

**Graph 2.4**

Source: Bank reports and CBCG calculations

Observed by the structure of liabilities, the largest growth compared to the end of 2023 was recorded with borrowings in the amount of 37.29 million euros or 17.26%, followed by total capital in the amount of 14.03 million euros or 1.71% and “other liabilities” with an increase of 12.69 euros or 5.71%. On the other hand, a downward trend was recorded in deposits in the amount of 89.82 million euros or 1.64% and financial derivatives in the amount of 1.41 million euros or 58.63%.

Banks' assets structure reveals that in the reporting period, total banking loans accounted for the main share of 66.84% (5.59 pp more year-on-year and 6.03 pp more compared to December 2023). Banks' liabilities and capital structure reveals that in the reporting period, total banking deposits accounted for the main share of 80.26% (0.76 pp less year-on-year and 1.01 pp less compared to December 2024) (graph 2.4).

**Box 2.1 – Montenegrin banking sector concentration index**

The analysis of the level of concentration of the banking sector provides information on the market shares of banks, that is, the degree of the banking sector's competitiveness.

**Table 1****Herfindahl-Hirschman index banking system concentration index, end-month**

	2022				2023				2024	
	III	VI	IX	XII	III	VI	IX	XII	III	VI
Assets	1,370.05	1,397.85	1,394.95	1,370.48	1,332.56	1,343.25	1,364.47	1,394.54	1,386.50	1,407.93
Loans	1,728.03	1,785.72	1,788.75	1,749.76	1,754.27	1,742.43	1,793.87	1,749.70	1,733.32	1,720.60
To deposits	1,329.89	1,337.08	1,353.57	1,344.36	1,301.77	1,310.43	1,341.10	1,364.09	1,342.39	1,365.74

Source: Bank reports and CBCG calculations

For the purposes of the analysis, we used the Herfindahl-Hirschman index (HHI) of concentration, which represents the sum of squares of the shares of all banks, according to assets, loans, and deposits.

At the end of 2024, the HHI for assets, loans and deposits was in the range of 1,000.00 - 1,800.00, which indicates a moderate concentration<sup>38</sup> of the banking sector (table 1). Thereby, the highest concentration was by loans, followed by concentration by assets, while the concentration by deposits was the lowest.

<sup>38</sup> The HHI value below 1,000.00 indicates a non-concentrated market, the HHI value in the range of 1,000.00–1,800.00 indicates a moderately concentrated market, while the HHI value above 1,800.00 indicates a non-competitive market (highly concentrated, very highly concentrated and monopolistic).

Observed by assets, HHI amounted to 1,407.93 index units at end-June 2024 and recorded an increase of 64.68 index units compared year-on-year, and an increase of 13.39 index points compared to end-2023.

Observed by loans, HHI amounted to 1,720.60 index units at end-June 2024 and recorded a decrease of 21.84 index units compared year-on-year, and a decrease of 29.10 index points compared to end-2023.

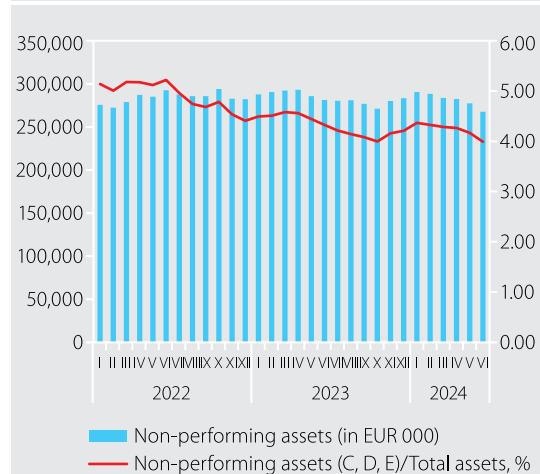
Observed by deposits, HHI amounted to 1,365.74 index units at end-June 2024 and recorded an increase of 55.31 index units compared year-on-year, and an increase of 1.65 index points compared to end-2023.

At end-June 2024, non-performing assets of banks amounted to 267.65 million euros, which a decrease of 13.76 million euros or 4.89% year-on-year and a decline of 15.73 million euros or 5.55% compared to end-2023. The share of non-performing assets in banks' total assets amounted to 3.99%, which is the year-on-year decline of 0.34 pp and a decrease of 0.22 pp in relation to end-2023 (graph 2.5).

At the end of June 2024, banks achieved a positive financial result of 87.23 million euros, which represents the annual increase of 20.81 million euros or 31.34%. All banks recorded profit.

**Graph 2.5**

**Non-performing assets, in thousand euros (lhs) and the share of non-performing in total banks' assets, in % (rhs), balance as at end-month**

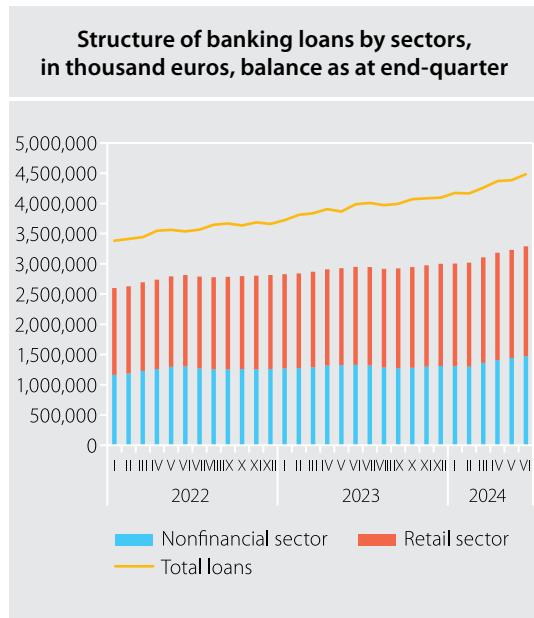


Source: Bank reports and CBCG calculations

### 2.1.3. Banks' lending activity

During the first six months of 2024, total banking loans were on an uptrend, increasing at an average monthly rate of 1.52%, which represents a growth compared to the previous year when they grew at an average monthly rate of 1.43%. At the end of the reporting period, banking loans amounted to 4,482.98 million euros, which is 498.81 million euros or 12.52% more year-on-year and 387.77 million euros or 9.47% more in relation to end-2023. Compared to the same period of 2023, two banks recorded a decline in loans while the remaining nine saw loan growth. The same was compared to end-2023, where two banks recorded a decline while the remaining nine saw growth.

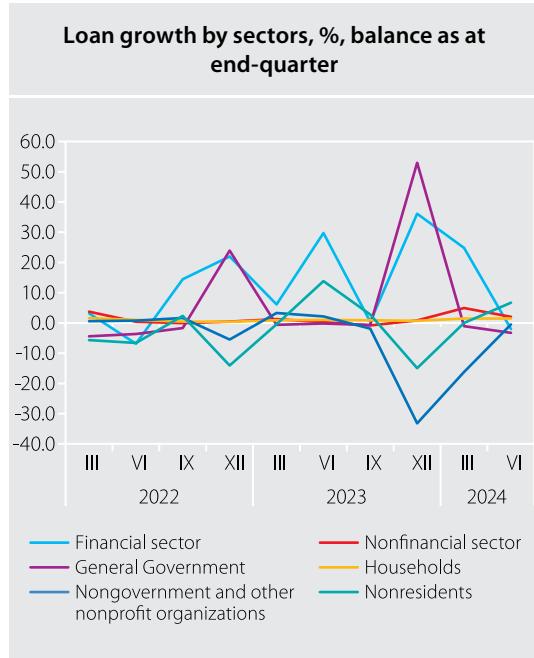
The sectoral structure of banking loans indicates that the largest portion of loans in the amount of 3,607.59 million euros or 80.47% was granted to residents. Of total approved loans, 40.56% were granted to the retail sector, 32.80% to the nonfinancial sector, 6.05% to the General government, 0.99% to the financial sector, while 0.08% related to non-governmental and other non-profit institutions.

**Graph 2.6**

Source: Bank reports and CBCG calculations

At the end of the reporting period, loans granted to non-residents accounted for 875.39 million euros 19.53% of total loans granted, of which 15.19% related to the financial sector, 3.08% to the nonfinancial sector, and 1.25% to retail sector (graph 2.6).

Observed by sectors, the largest year-on-year growth was recorded with loans granted to residents, in the amount of 375.94 million euros or 11.63% while loans granted to non-residents recorded a growth of 122.87 million euros or 16.33%. When it comes to residents, the retail sector and nonfinancial sectors recorded loan growths of 199.03 million euros (12.29%) and 140.77 million euros (10.59%), respectively. Growth was also recorded in loans granted to the General government in the amount of 36.74 million euros or 15.67%, financial sector in the amount of 7.68 million euros or 21.05%, while loans to non-governmental and other non-profit institutions declined by 8.29 million euros or 70.13%.

**Graph 2.7**

Source: Bank reports and CBCG calculations

Observed by sectors and in relation to the end of the previous year, the highest growth was recorded in loans granted to residents in the amount of 244.92 million euros or 7.28%, whereas loans granted to non-residents recorded an increase of 142.85 million euros or 19.50%. When it comes to residents, the non-financial and retail sectors recorded loan growths of 159.74 million euros (12.19%) and 128.45 million euros (7.60%), respectively. Banking loans granted to the financial sector also rose, by 849,000 euros or 1.96%. On the other hand, a decrease in approved loans in the amount of 40.64 million euros or 13.03% was recorded with the General Government sector, as well as with NGOs and other non-profit institutions in the amount of 3.48 million euros or 49.63%.

Observation of loan monthly rate of growth by sectors reveals that the financial and retail sectors showed least oscillations in total loans granted, while the nonfinancial sector fluctuated over the entire six-month reporting period (graph 2.7).

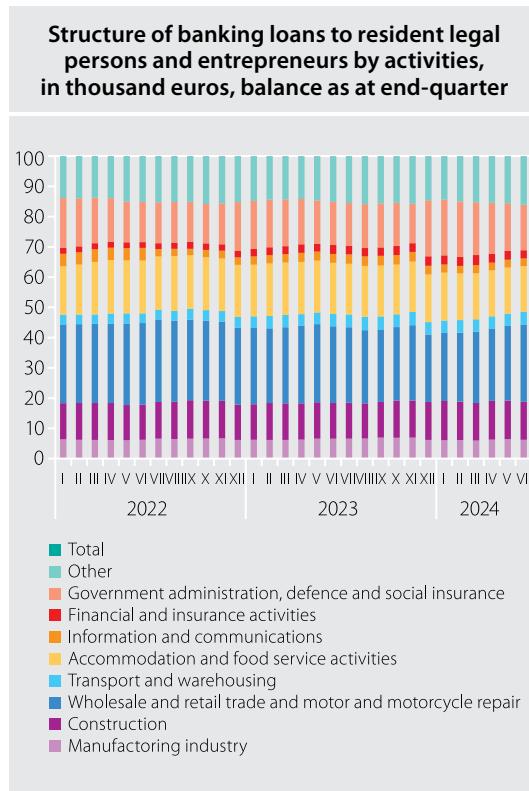
At the end of June 2024, the debt based on loans of resident legal entities and entrepreneurs amounted to 1,793.12 million euros, which represents an increase of 176.47 million euros or 10.92% on the annual level (table 2.1). At the same time, the nominal growth compared to June 2023 is mostly the result of the growth of loans granted to the following activities: wholesale and retail trade; repair of motor vehicles and motorcycles, public administration and defence, compulsory social security, construction, arts, entertainment and recreation, electricity supply, administrative and ancillary service activities real estate activities, transportation and warehousing, and manufacturing. On the other hand, nominal decline in loans was recorded in professional, scientific and technical activities, water supply, agriculture, forestry and fishing, mining and quarrying, information and communications, accommodation and food service activities, and other service activities.

In relation to the end of the previous year, debt growth arising from loans to resident legal persons and entrepreneurs amounted to 116.68 million euros or 6.96%. Nominal increase in loans in this period was recorded in the following activities: wholesale and retail trade; repair of motor vehicles and motorcycles; arts, entertainment and recreation, electricity supply, construction, administrative and ancillary service activities, manufacturing industry, transport and warehousing, accommodation and food service activities, and other service activities. On the other hand, the nominal decrease in loans in this period was recorded in the following activities: state administration and defence and compulsory social insurance, information and communications, agriculture, forestry and fishing, water supply, financial and insurance activities, as well as other service activities.

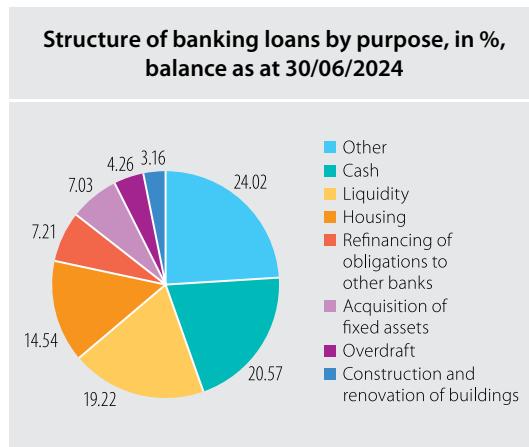
**Table 2.1**

Activity	Loans to resident legal persons and entrepreneurs by activities, in thousand euros and %, balance as at end-month							
	30/06/2023		31/12/2023		30/06/2024		June 2024 June 2023	
	in 000 euros	in 000 euros	in 000 euros	in 000 euros	in %	in 000 euros	in %	
1. Agriculture, forestry and fishing	20,635	20,185	16,942	-3,693	-17.90	-3,243	-16.07	
2. Mining and quarrying	15,703	14,229	12,321	-3,382	-21.54	-1,908	-13.41	
3. Manufacturing industry	107,131	104,177	112,068	4,937	4.61	7,891	7.57	
4. Electricity supply	19,092	19,450	36,357	17,265	90.43	16,907	86.93	
5. Water supply	15,731	12,167	10,871	-4,860	-30.89	-1,296	-10.65	
6. Construction	190,344	209,923	225,028	34,684	18.22	15,105	7.20	
7. Wholesale and retail trade; repair of motor vehicles and motorcycles	409,792	373,631	458,417	48,625	11.87	84,786	22.69	
8. Transport and warehousing	65,817	68,968	75,776	9,959	15.13	6,808	9.87	
9. Accommodation and food service activities	273,144	264,120	270,351	-2,793	-1.02	6,231	2.36	
10. Information and communication	48,079	48,435	44,723	-3,356	-6.98	-3,712	-7.66	
11. Financial and insurance activities	49,148	52,434	49,428	0,280	0.57	-3,006	-5.73	
12. December Real estate activities	50,530	59,773	62,080	11,550	22.86	2,307	3.86	
13. Professional, scientific and technical activities	49,782	41,924	44,149	-5,633	-11.32	2,225	5.31	
14. Administrative and ancillary service activities	25,945	25,754	37,525	11,580	44.63	11,771	45.71	
15. Public administration and defence, compulsory social security	229,235	309,996	269,002	39,767	17.35	-40,994	-13.22	
16. Education	1,061	1,130	1,089	0,028	2.64	-0,041	-3.63	
17. Human health and social work activities	14,467	15,927	15,200	0,733	5.07	-0,727	-4.56	
18. Artistic, entertainment and recreational activities	14,317	18,289	35,505	21,188	147.99	17,216	94.13	
19. Other service activities	16,691	15,925	16,284	-0,407	-2.44	0,359	2.25	
20. Total	1,616,644	1,676,437	1,793,116	176,472	10.92	116,679	6.96	

Source: Bank reports and CBCG calculations

**Graph 2.8**

Source: Bank reports and CBCG calculations

**Graph 2.9**

Source: Bank reports and CBCG calculations

In the structure of loans to residents by activity at end-June 2024, the main share of 25.57% was of loans to wholesale and retail trade and repair of motor vehicles and motorcycles, followed by loans to accommodation and food service activities with 15.08%, loans to public administration and defence and compulsory social security with 15.00%, and loans to construction with 12.55%, whereas loans to all other activities accounted for 31.81% (graph 2.8).

Observed by purpose, the main share of banking loans referred to cash loans (20.57%), liquidity loans (19.22%), housing loans (14.54%), loans for refinancing obligations to other banks (7.21%), loans for the purchase of fixed assets (7.03%), overdraft loans (4.26%), and loans for construction and renovation of buildings (3.16%). The remaining portion of 24.02% of banking funds were used for loans for the purchase of cars, credit card loans, consumer loans, the preparation of tourist season and the purchasing of securities (graph 2.9).

Compared to June 2023, housing loans recorded growth of 120.02 million euros or 14.97%, while housing loans increased by 72.10 million euros or 12.44% followed by loans for the purchase of fixed assets in the amount of 57.86 million euros or 22.49%, loans for overdrafts of 39.70 million euros or 26.27%, loans for liquidity in the amount of 37.41 million euros or 4.54%, loans for construction and renovation of buildings in the amount of 7.13 million euros or 5.31%, loans for the purchase of cars in the amount of 7.10 million euros or 40.52% (table 2.2). On the other hand, loans for the preparation of tourist season declined by 1.32 million euros or 8.23% and loans for purchasing securities dropped by 1.12 million euros or 34.00%.

**Table 2.2**

Loan purpose	Banking loans by purpose, in thousand euros, balance as at 30/06/2023, 31/12/2023, and 30/06/2024						
	30/06/2023	31/12/2023	30/06/2024	June 2024		Jun 2024	
	in 000 euros	in 000 euros	in 000 euros	in 000 euros	in %	in 000 euros	in %
1. Liquidity (working capital)	824,364	846,490	861,776	37,412	4.54	15,286	1.81
2. Construction and renovation of buildings	134,385	148,729	141,518	7,133	5.31	-7,211	-4.85
3. Refinancing of liabilities to other banks	319,894	313,675	323,099	3,205	1.00	9,424	3.00
4. Car purchase	17,514	18,272	24,611	7,097	40.52	6,339	34.69
5. Purchase of securities	3,282	4,058	2,166	-1,116	-34.00	-1,892	-46.62
6. Purchase of fixed assets	257,246	296,456	315,101	57,855	22.49	18,645	6.29
7. Preparation of tourist season	15,987	14,492	14,672	-1,315	-8.23	180	1.24
8. Consumer loans	19,199	23,367	21,174	1,975	10.29	-2,193	-9.39
9. Cash (general purpose)	802,023	814,501	922,047	120,024	14.97	107,546	13.20
10. Housing loans	579,609	604,352	651,709	72,100	12.44	47,357	7.84
11. Credit cards	18,890	20,457	21,358	2,468	13.07	901	4.40
12. December Overdraft	151,112	137,618	190,807	39,695	26.27	53,189	38.65
13. Other	840,661	852,739	992,938	152,277	18.11	140,199	16.44
14. Total	3,984,166	4,095,206	4,482,976	498,810	12.52	387,770	9.47

Source: Bank reports and CBCG calculations

Banking loans are mostly approved in euros and against the maturity period of over one year. Of total loans granted, those in euros accounted for 96.34%, and in terms of maturity, long-term loans (with agreed maturity over one year) prevailed and made up 77.73%. Loans with the repayment period of over three years amounted to 3,098.48 million euros and they accounted for 88.92% and 69.12% of total loans.

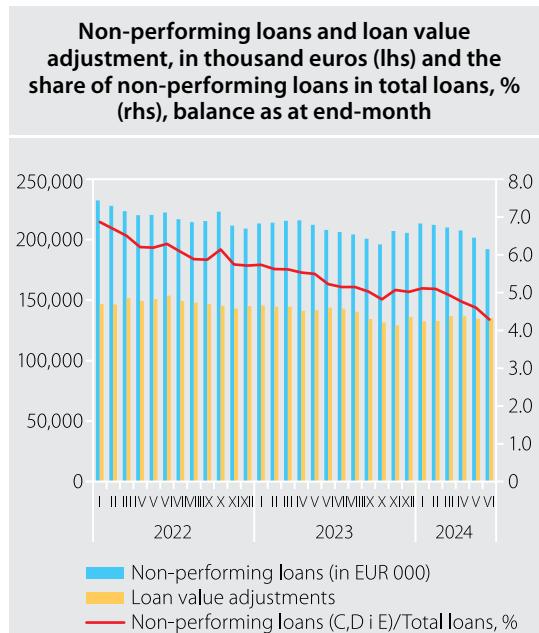
At end-June this year, banks' non-performing loans (NPLs) amounted to 192.16 million euros and they were 16.01 million euros or 7.69% lower in relation to end-2023 and by 13.43 million euros or 6.53% year-over-year. At the end of the reporting period, non-performing loans accounted for 4.29% of total banking loans, and their share in total loans decreased by 0.94 pp year-on-year and by 0.73 in relation to end-2023.

Observed year-over-year, in the structure of resident legal persons by activity, the largest increase in non-performing loans in the amount of 5.01 million euros or 29.50% was recorded in construction, while the most notable decrease was recorded in wholesale and retail trade; repair of motor vehicles and motorcycles in the amount of 5.99 million euros or 22.92%. The resident retail sector recorded a decline in non-performing loans of 7.07 million euros or 12.02%. In the case of non-resident legal persons, a decrease in non-performing loans was recorded in the amount of 1.40 million euros or 6.74%, while non-performing loans of the non-resident retail sector recorded a decrease in the amount of 257,000 euros or 15.80%.

Observed in relation to end-2023, in the structure of resident legal persons by activity, the largest increase in non-performing loans in the amount of 1.77 million or 130.29% was recorded in administrative and ancillary service activities, while the most significant decrease in non-performing loans was recorded in real estate activities, in the amount of 2.65 million euros or 79.38%. The resident retail sector recorded a decline in non-performing loans of 4.68 million euros or 8.29%. In the case

of non-resident legal persons, non-performing loans decreased by 1.25 million euros or 6.07%, while non-performing loans of the non-resident retail sector decreased by 160,000 euros or 7.18%.

**Graph 2.10**

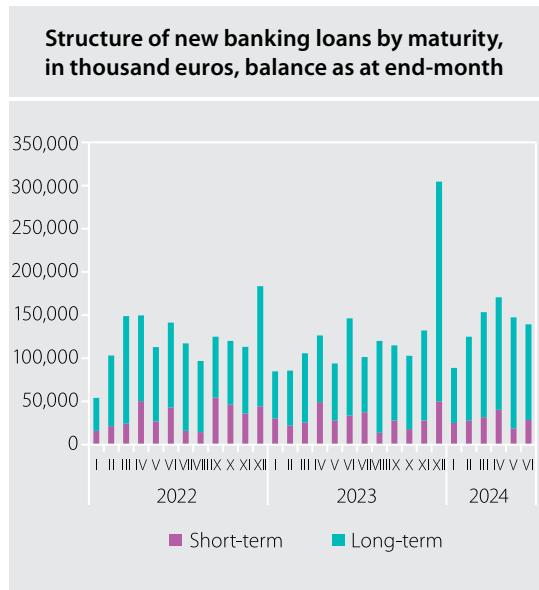


At end-June 2024, total loan value adjustment amounted to 135.21 million euros recording a decrease of 8.63 million euros or 6.00% year-on-year and 911.000 euros or 0.67% decline in relation to end-2023. The coverage of non-performing loans by loan value adjustments amounted to 70.36% and it increased year-on-year when it amounted to 69.09%, as well as compared to end-2023 when it reached 66.21% (graph 2.10).

At the end of the reporting period, past due loans amounted to 103.31 million euros or 2.30% of total banking loans. These loans decreased by 50.66 million euros or 32.90% year-on-year and by 11.67 million euros or 10.15% in relation to end-2023. The share of past due loans recorded a decline of 1.56 pp year-on-year and a decrease of 0.50 pp in relation to the end of the previous year.

Source: Bank reports and CBCG calculations

**Graph 2.11**



Source: Bank reports and CBCG calculations

## New loans

During the first six months of 2024, banks approved a total of 824.51 million euros of new loans, which is an increase of 181.72 million euros or 28.27% year-on-year.

The maturity structure of new loans reveals that the main share (652.55 million euros or 79.14%) of new loans were granted for a repayment period of over one year, which represents an increase of 8.64 pp year-on-year (graph 2.11).

The purpose structure of new loans for Q2 2024 shows that the main share of these loans of 246.53 million euros or 29.90% were liquidity loans, followed by cash loans with 228.62 million euros or 27.73%, then loans for the purchase and adaptation of apartments with 83.51 million euros or 10.13%, and loans for the realisation of investment programmes with 58.00 million euros or 7.03% of granted loans. Loans for the purchase of fixed assets amounted to 55.41 million euros or 6.72% of new loans, refinancing of obligations

to other banks in the amount of 49.87 million euros or 6.05% and loans for construction and renovation of buildings with 38.38 million euros or 4.65%. Non purpose mortgage loans amounted to 16.47 million euros or 2.00%, while the remaining 5.79% or 47.72 million euros were loans for purchasing consumer goods, education, purchase of land, purchase of cars, purchase of shares, preparation of tourist season, agriculture and other purposes.

#### 2.1.4. Bank investments in securities

Thus, the amount of banks' claims on securities amounted to 1,235.93 million euros as at end-June this year, being 85.88 million euros or 7.47% higher year-over-year yet 76.09 million euros or 5.80% lower compared to the previous year-end (graph 2.12). During the first six months of 2024, banks' investments in securities dropped at the average monthly rate of 0.81%.

Thus, at end-June 2024, the dominant share of 50.55% of total securities referred to various types of non-residents securities (private sector's equity and debt securities), while investments into various government securities accounted for 49.14%, and the remaining 0.31% to securities of other resident sectors.

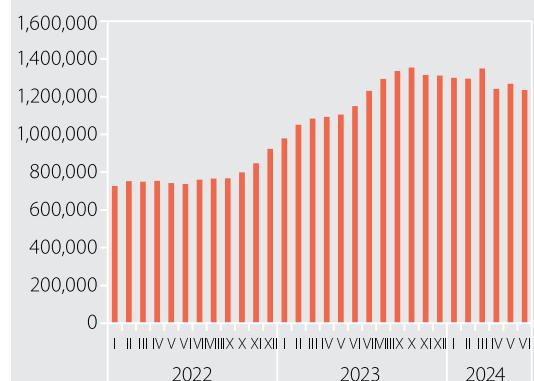
At end-June this year, the total amount of banks' receivables based on the non-resident securities amounted to 624.75 million euros, which represents an increase of 96.88 million euros or 18.35% year-on-year, and 17.54 million euros or 2.73% in relation to end-2023.

At end-June this year, the total amount of banks' receivables based on the General Government's securities amounted to 607.37 million euros, which represents a decrease of 9.29 million euros or 1.51% year-on-year, and 56.33 million euros or 8.49% in relation to end-2023 primarily due to the maturity of bonds issued at the domestic market.

Of the total amount of securities of the General Government, 585.53 million euros or 96.40% were bank investments in Government's Eurobonds, 12.05 million euros or 1.98% to domestic government bonds, while investments in government T-bills amounted to 9.79 million euros or 1.61% (graph 2.13).

Graph 2.12

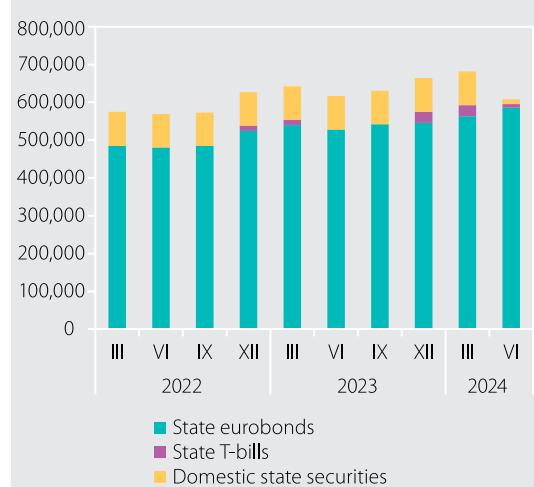
Banks' receivables from securities, in thousand euros, balance as at end-month



Source: Banks' reports

Graph 2.13

Government securities held by banks, in thousand euros, balance as at end-quarter



Source: Banks' reports

Investments in Government Eurobonds increased by 57.24 million euros or 10.84% year-over-year, and by 40.03 million euros or 7.34% compared to end-2023. On the other hand, banks' investments in domestic government bonds declined by 76.32 million euros or 86.36% compared to same period of the previous year and by 76.77 million euros or 86.43% compared to the end of the previous year. These include investments in bonds issued at the domestic market in April 2019 with five-year maturity, so the balance of these bonds is significantly less at the end of the reporting period due to their maturity. In June 2024, investments in T-bills increased compared to June 2023 when there were no such investments, while they decreased by 19.59 million euros or 66.67% compared to end-2023.

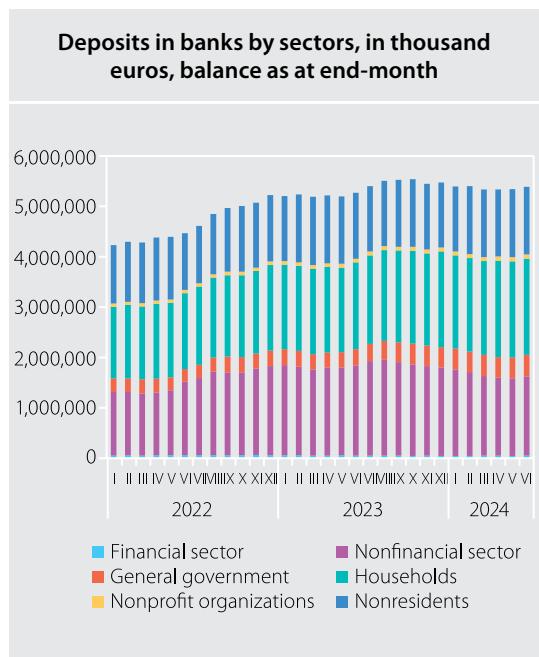
Banks' receivables from non-resident securities amounted to 624.75 million euros at end-June this year and they were 96.88 million euros or 18.35% higher year-on-year, yet 17.54 million euros or 2.73% lower compared to end-2023.

Receivables of banks arising from securities of other sectors amounted to 3.81 million euros in the reporting period, being 1.72 million euros or 31.06% higher on the annual basis, but 2.22 million euros or 36.88% lower compared to end-2023.

## 2.1.5. Deposits

At end-June 2024, deposits with banks amounted to 5,383.36 million euros, which is 112.90 million euros or 2.14% more year-on-year yet 89.82 million euros or 1.64% less than at end-2024. Deposits in banks declined at an average monthly rate of 0.27% during this period, while compared year-over-year they rose at the rate of 0.15%.

**Graph 2.14**



Source: Bank reports and CBCG calculations

At end-June this year, residents' deposits accounted for the main share of total deposits with 4,045.35 million euros or 75.15%. In the structure of total deposits, 35.53% referred to the household sector, 29.29% to the nonfinancial sector, 7.86% to the General Government, 1.57% to non-government and other non-profit institutions, and 0.90% to the financial sector, while non-resident deposits accounted for 24.85%.

All sectors other than financial and nonfinancial sectors recorded the year-on-year growth in deposits. Resident deposits recorded a growth of 84.57 million euros or 2.14% and non-resident deposits grew by 28.33 million euros or 2.16%. In terms of residents' deposits, the highest growth was recorded in deposits by household sector of 185.01 million euros or 10.71%, followed by the general Government sector a growth of 102.81 million euros or 32.10%, while deposits by non-government and other non-profit institutions were 10.64 million euros or 14.43% higher.

On the other hand, deposits by the nonfinancial sector dropped by 209.54 million euros or 11.73%, while deposits of financial sector dropped by 4.35 million euros or 8.23%.

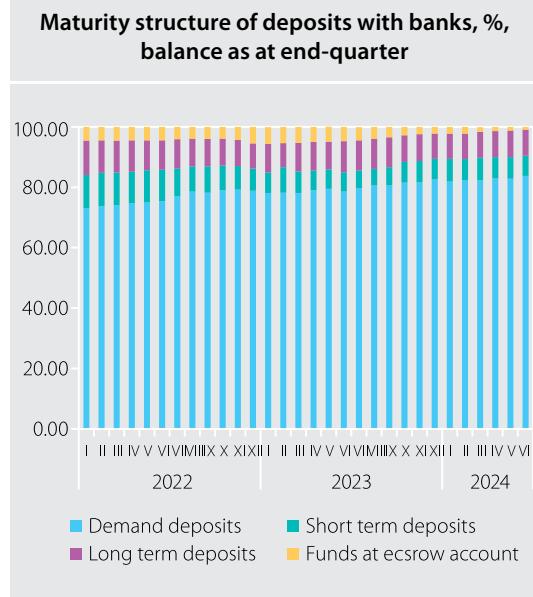
All sectors except nonfinancial recorded deposit growth compared to end-2023. Non-resident deposits recorded the highest growth of 47.90 million euros or 3.71% mainly driven by increased deposits in financial non-resident sector (38.53 million euros or 304.06%). In terms of residents' deposits, the highest growth was achieved in the General government of 25.08 million euros or 6.30%, followed by the household sector with 11.69 million euros or 0.62%. Deposits of financial sector were 3.86 million euros or 8.66% higher year-on-year, while deposits of non-government and other non-profit institutions increased by 1.86 million euros or 2.26%. On the other hand, deposits by the nonfinancial sector dropped by 180.23 million euros or 10.26%.

Of total deposits, demand deposits accounted for 4,511.13 million euros or 83.80%, time deposits made up 818.37 million euros or 15.20%, while funds in escrow accounts amounted to 53.86 million euros or 1.00%.

Observed year-on-year, demand deposits increased by 368.54 million euros or 8.90% in the reporting quarter, while they were 13.52 million euros or 0.30% lower than at end-2023. Long-term deposits were 72.46 million euros or 13.54% lower year-over-year, while compared to the end of 2023 they increased by 8.47 million euros or 1.87%. Short-term deposit grew by 17.11 million euros or 5.05% on the annual level yet dropped by 13.39 million euros or 3.63% compared to at end-2023. Finally, funds in escrow account declined 200.29 million euros or 78.81% year-over-year, while they dropped by 71.37 million euros or 56.99% in relation to end-2023.

The share of demand deposits in total deposits stood at 83.80% at end-June this year, which is an increase of 5.20 pp year-over-year and of 1.13 pp in relation to the end of the previous year. The share of long-term deposits in total deposits was 8.59% and it decreased by 1.56 pp year-on-year and increased by 0.30 pp compared to end-2023. The share of short-term deposits in total deposits stood at 6.61% at end-June this year, which is an increase of 0.18 pp year-over-year yet a 0.14 pp decline compared to the 2023 year-end. Funds in escrow accounts accounted for 1.00% of total deposits as at end-June 2024, which represents the year-over-year decrease of 3.82 pp and a 1.29 pp decrease compared to end-2023 (graph 2.15).

Graph 2.15



Source: Bank reports and CBCG calculations

## 2.1.6. Retail and non-financial sector

### 2.1.6.1. Retail sector

Total debt of the retail sector arising from loans taken from banks amounted to 1,818.30 million euros at end-June 2024, which is 40.56% of the total disbursed banking loans. The indebtedness of this sector increased by 199.03 million euros or 12.29% year-on-year and 128.45 million euros or 7.60% compared to the end of 2024. The average monthly rate of growth of loans to this sector amounted to 1.23% during the first six months of the current year, while average monthly growth rate was 0.68% in the same period of the previous year. One of the reasons for an increase in the first six months of 2024 was increased number of new loans to pensioners who got better conditions for loan application in this period after increased minimum pension.

The retail sector borrows primarily from banks and against the maturity exceeding one year. At end-June 2024, 99.03% of total loans granted to this sector were long-term loans.

Debt per capita<sup>39</sup> amounted to 2,871.79 euros at the end of the reporting period, recording an increase of 246.07 euros or 9.37% year-on-year and 202.87 euros or 7.60% increase in relation to end-2023.

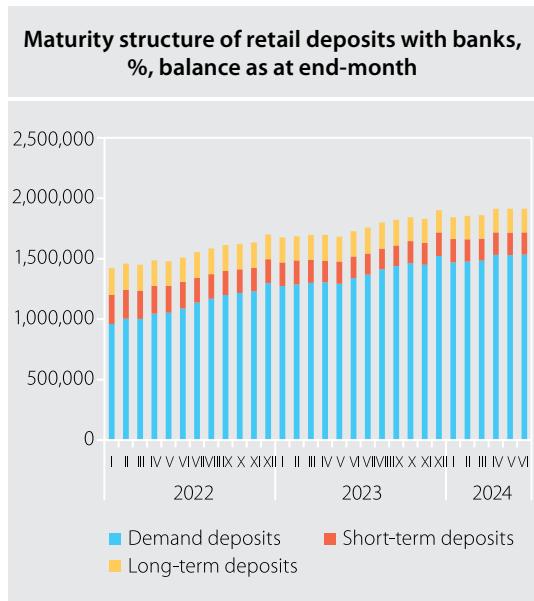
The level of retail deposits in the first six months of 2024 was characterized by positive trends with some deviations. On average per month, deposits of this sector grew at a rate of 0.12% during this period, and a rate of 0.26% compared year-on-year. At the end-June this year, retail deposits amounted to 1,912.53 million euros, which was 185.01 million euros or 10.71% more than at June 2023 and 11.69 million euros or 0.62% more than in end-2023.

As at end-June 2024, demand deposits accounted for 80.14% of total retail deposits, short-term deposits made up 9.67%, 10.17% referred to funds deposited for a period longer than one year, while funds in escrow account made up a mere 0.02%. Demand deposits increased by 193.33 million euros or 14.43% year-over-year, and by 10.19 million euros or 0.67% compared to end-2023. Short-term retail deposits grew 5.25 million euros or 2.92% year-on-year yet dropped by 9.88 million euros or 5.07% compared to end-2023. Long-term deposits by this sector dropped by 13.94 million euros or 6.69% compared to June 2023, yet increased by 11.02 million euros or 6.01% compared to end-2023. In the recent years, changes in the level of short-term, long-term and demand deposits led to the changed structure of total deposits through a decreasing level of long-term to favour demand deposits in the Montenegrin banking sector (graph 2.16).

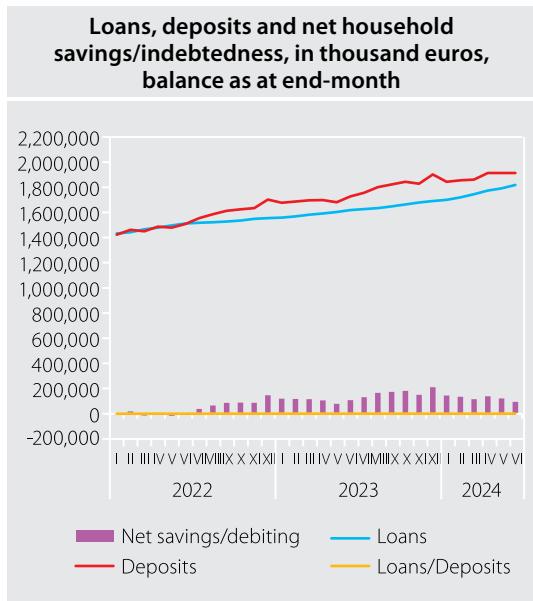
During the first six months of 2024, funds that the retail sector deposited in banks exceeded the loans granted to this sector. At the end of the reporting period, the retail sector net savings amounted to 94.23 million euros and it decreased by 14.02 million euros year-over-year when the net savings of this sector amounted to 108.25 million euros, while it decreased by 116.75 million euros compared to the end of the previous year when it amounted to 210.99 (graph 2.17).

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<sup>39</sup> According to preliminary results of the 2023 Census of Population, Households, and Dwellings, the population is 633,158; while population estimates as at 1 January 2023 point to the population of 616,695; source: MONSTAT.

**Graph 2.16**

Source: Bank reports and CBCG calculations

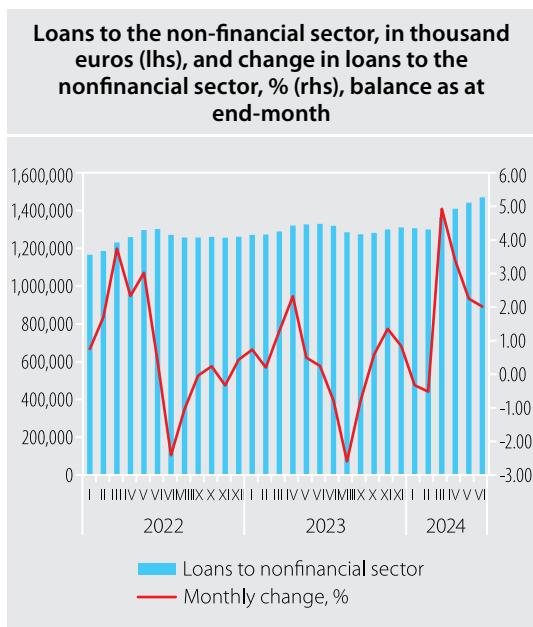
**Graph 2.17**

Source: Bank reports and CBCG calculations

The loans to deposits ratio for this sector was 0.95 and it was slightly higher than a year ago when it stood at 0.94, as well as compared to the end of 2023 when it stood at 0.89.

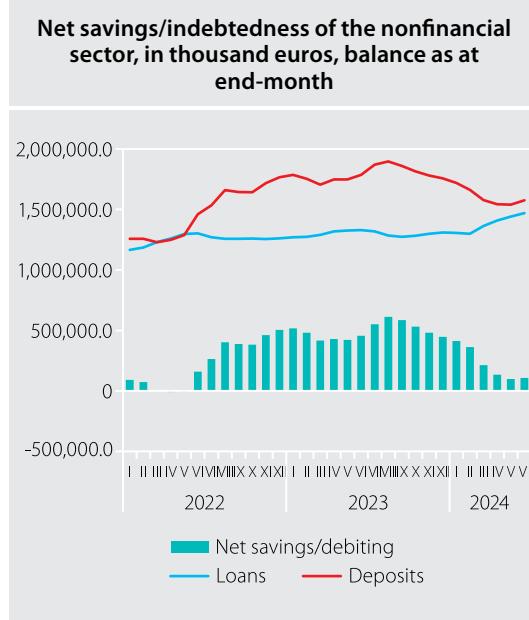
### 2.1.6.2. Nonfinancial sector

At end-June 2023, the nonfinancial sector<sup>40</sup> had debt based on banking loans in the total amount of 1,470.35 million euros, which is 32.80% of total banking loans granted. Loans to this sector increased by 140.77 million euros or 10.59% at the annual level and by 159.74 million euros or 12.19% in relation to end-2023. On average per month, loans in this sector grew at a rate of 1.95% during the period January - June 2024, while in the same period last year they grew at a rate of 0.88% (graph 2.18). Loans for liquidity maintenance (working capital) amounted to 861.78 million euros or 58.61% of total loans of the nonfinancial sector at end-June this year and they rose 37.41 million euros or 4.54% year-on-year and 15.29 million euros or 1.81% compared to end-2023.

**Graph 2.18**

Source: Bank reports and CBCG calculations

<sup>40</sup> The nonfinancial sector includes both state-owned and private companies.

**Graph 2.19**

Source: Banks' reports and CBCG calculations

The nonfinancial sector was the second most important depositor in Montenegro's banking system. Total deposits of this sector reached 1,576.86 million euros and accounted for 29.29% of total deposits at end June 2024. Deposits by the non-financial sector decreased by 209.54 million euros or 11.73% compared to the same period last year and by 180.23 million euros or 10.26% compared to the end of 2023.

Deposits of the non-financial sector exceeded their loans in the first six months of 2024. The net savings of this sector amounted to 106.51 million euros at end-June this year, which represents a decrease of 350.31 million euros or 76.68% year-on-year when this sector had net debt of 456.82 million euros, and a decrease of 339.96 million euros or 76.14% compared to end-2023 when the nonfinancial sector's net savings amounted to 446.47 million euros (graph 2.19).

At end-June this year, the loans to deposits ratio for the nonfinancial sector amounted to 0.93 and it improved in relation to June 2023 when it amounted to 0.74, and compared to end-2023 when it amounted to 0.75.

### 2.1.7. Banks' foreign assets and liabilities

As at end-June 2024, banks' foreign assets reached 1,796.56 million euros, which represents a 211.20 million euros or 13.32% increase year-on-year and a 140.84 million euros or 8.51% growth in relation to the end of the previous year.

The recorded increase in foreign assets compared to June 2023 was largely the result of an increase in bank deposits with foreign banks in the amount of 117.15 million euros or 20.89%. In addition, investments in debt securities increased by 97.03 million euros or 18.15%, loans to non-residents rose 5.83 million euros or 3.04%, while investments in shares and other equity investments increased by 663,000 euros or 9.84%. In the structure of banks' foreign assets, there was a decrease in cash of 9.22 million euros or 3.17%, followed by other receivables from non-residents of 244,000 euros or 88.09%.

Compared to the end of 2023, the growth of foreign assets mainly resulted from an increase in deposits with foreign banks in the amount of 141.96 million euros or 26.49%. In addition, investments in debt securities increased by 15.72 million euros or 5.90%, loans to non-residents rose 1.11 million euros or 0.56%, while investments in shares and other equity investments increased by 288,000 euros or 4.05%. In the structure of banks' foreign assets compared to December 2023, there was a decrease of investments in debt securities of 18.22 million euros or 2.80, followed by other receivables of 17,000 euros or 34.00% (graph 2.20).

The most important category in the structure of foreign assets were banks' deposits with foreign banks, which amounted to 677.90 million euros and accounted for 37.73% of foreign assets. Besides deposits with foreign banks, debt securities with 35.15% and cash with 15.70% had a significant share in the structure of foreign assets, while loans to non-residents amounted to 11.00%. The remaining 0.42% referred to shares and other equity investments, while the share of other foreign receivables was negligible.

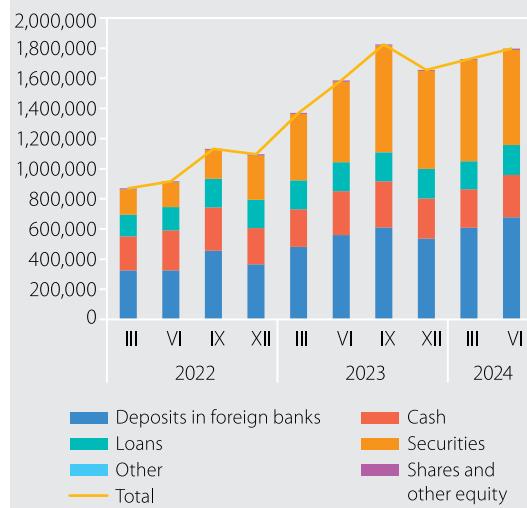
As at end-June 2024, banks' foreign liabilities amounted to 1,530.78 million euros, which is an increase of 15.94 million euros or 1.05% year-on-year. The growth of foreign liabilities of banks is mainly the result of growth in deposits by non-residents in the amount of 28.28 million euros or 2.16%. Other foreign liabilities increased by 440,000 euros or 2.31%. Moreover, borrowings from non-residents recorded a decline of 10.71 million euros or 6.05%, while debt securities to non-residents decreased by 2.07 million euros or 31.30%.

Compared to end-2023, foreign liabilities of banks recorded an increase of 95.98 million euros or 6.69%. The growth of foreign liabilities of banks is mainly the result of growth in deposits by non-residents in the amount of 48.03 million euros or 3.72%. Moreover, borrowings from non-residents increased by 44.31 million euros or 36.28% as did other liabilities by 3.40 million euros or 21.13%, while debt securities to non-residents grew by 246,000 euros or 5.72% compared to end-2023.

At end-June this year, the main share in foreign liabilities of 1,340.31 million euros or 87.56% was held by deposits of non-residents, followed by borrowings from non-residents in the amount of 166.44 million euros or 10.87%, the category "other foreign liabilities" with 19.49 million euros or 1.27%, and debt securities to non-residents with 4.55 million euros or 0.30% (graph 2.21).

**Graph 2.20**

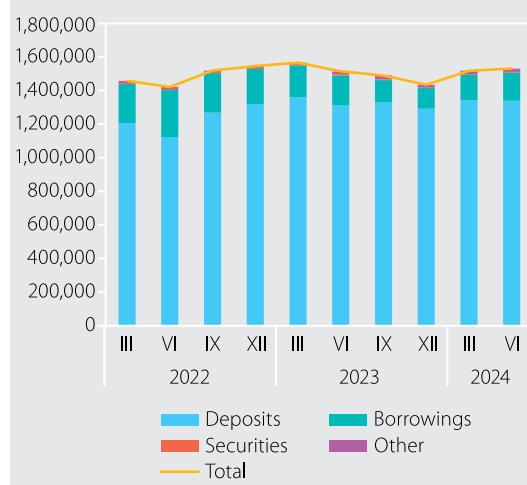
**Structure of banks' foreign assets, in thousand euros, balance as at end-quarter**



Source: Banks' reports

**Graph 2.21**

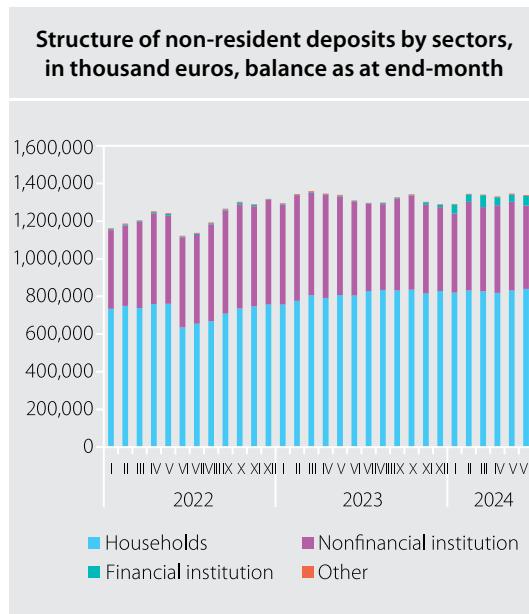
**Structure of banks' foreign liabilities, in thousand euros, balance as at end-quarter**



Source: Banks' reports

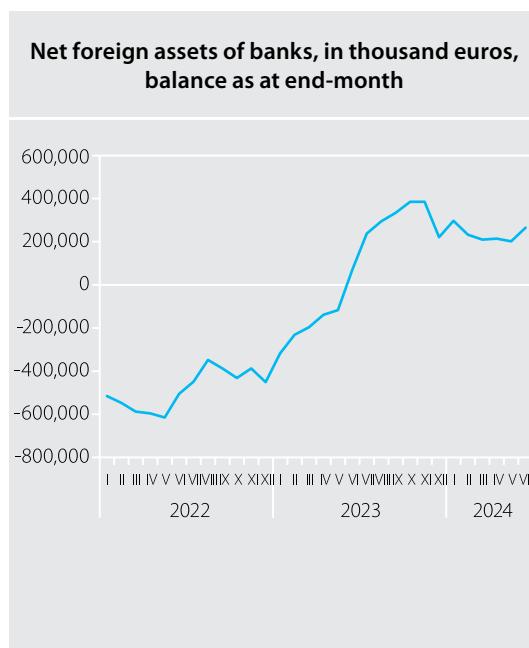
The most significant source of foreign financing of banks at end-June this year came from retail deposits with 840.04 million euros or 62.78%, which recorded an increase of 35.85 million euros or 4.46% year-on-year and a 11.01 million euros or 1.33% growth in relation to end-2023. The second most important foreign depositors were foreign companies with a share of 441.92 million euros or 33.03%, and they recorded a decrease of 56.87 million euros or 11.40% year-on-year, and a 2.65 million euros or 0.60% increase compared to end-2023. The amount of 51.21 million euros or 3.83% of foreign deposits related to deposits of foreign financial institutions, this being an increase of 48.13 million euros or 17 times more year-on-year, and 38.53 million euros or 4 times more than at end-2023. The amount of 4.84 million euros or 0.36% was deposited by foreign non-government and other non-profit institutions, which represents an increase of 1.22 million euros or 33.56% year-on-year, yet an increase of 1.01 million euros or 26.21% in relation to the end of the previous year (graph 2.22).

**Graph 2.22**



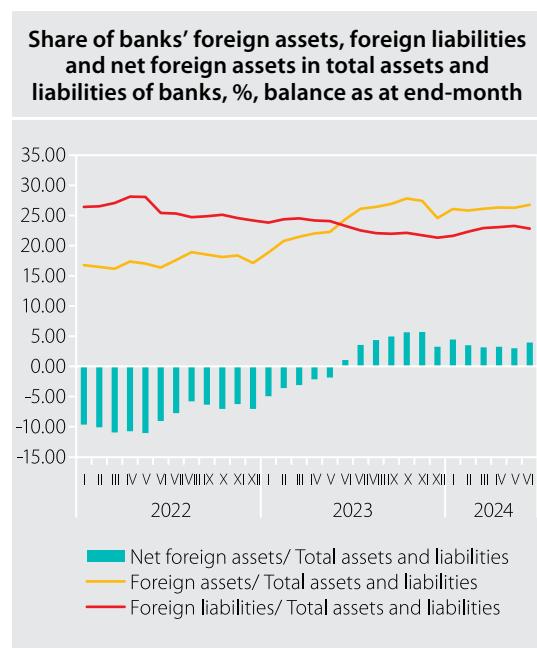
Source: Banks' reports

**Graph 2.23**



Source: Banks' reports

**Graph 2.24**



Source: Bank reports and CBCG calculations

The foreign liabilities to total assets and liabilities ratio of banks shows that non-residents financed 22.82% of banks' total assets, while 26.79% of banks' total assets and liabilities related to banks' claims from non-residents. The difference between foreign assets and foreign liabilities of banks amounted to 3.96 pp. At end-June 2024, the difference between foreign assets and foreign liabilities of banks increased compared to a year ago when it amounted to 1.08 pp, as well as compared to end-2023 when it equalled 3.28 pp (graph 2.24).

## 2.1.8. Banks' capital

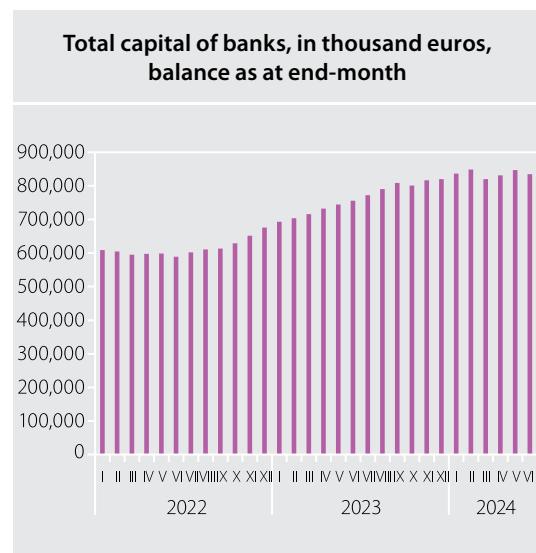
At end-June 2024, total capital of banks amounted to 834.31 million euros, recording an increase of 78.63 million euros or 10.40% year-over-year and a growth of 14.03 million euros or 1.71% in relation to end-2023 (graph 2.25).

Observed year-on-year, ten banks recorded growth and one decline in total capital. There was no re-capitalisation in any of the banks in Q2 2024.

The total financial result at the end of June 2024 was positive and amounted to 87.23 million euros, which represents an increase of 20.81 million euros or 31.34% at the annual level (graph 2.26).

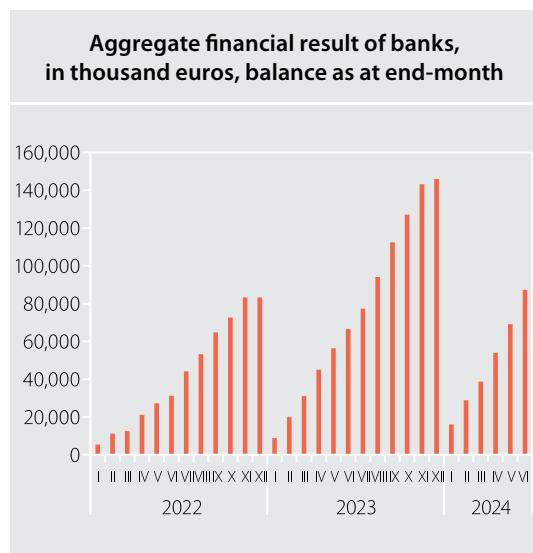
In the ownership structure of banks' capital at end-June this year, foreign capital made up 86.90%, domestic private capital accounted for 11.90%, while the state had the share of only 1.20%.

Graph 2.25

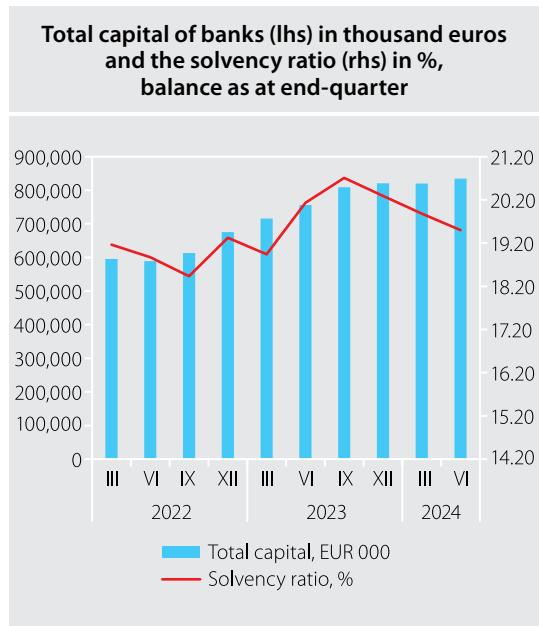


Source: Bank reports and CBCG calculations

Graph 2.26



Source: Bank reports and CBCG calculations

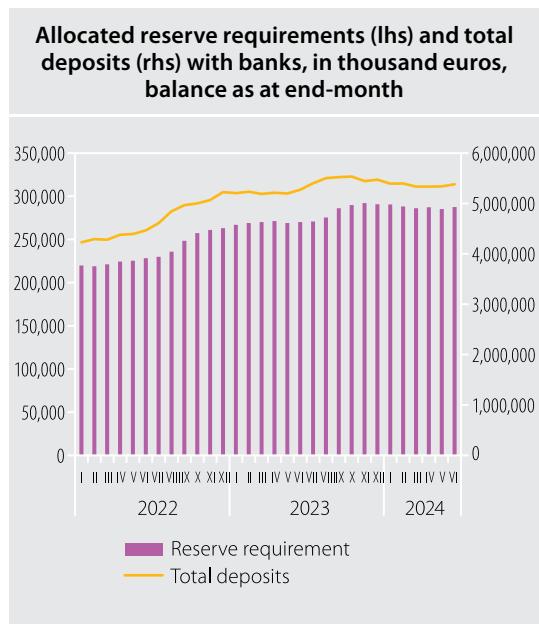
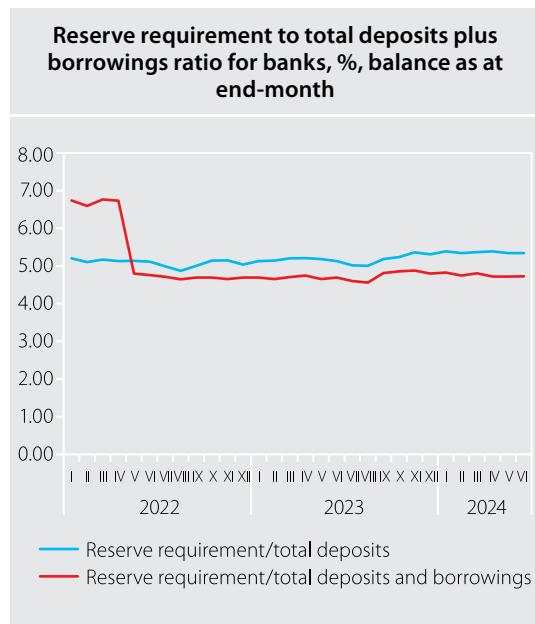
**Graph 2.27**

In June 2024, the solvency ratio of the banking system was above the statutory minimum of 8%. At the end of the reporting period it stood at 19.50%, being lower both year-on-year (20.13%) and compared to end-2023 (20.29%) (graph 2.27).

Source: Bank reports and CBCG calculations

## 2.1.9. Banks' reserve requirements

At the end of the reporting period, allocated reserve requirement amounted to 287.64 million euros and it rose 17.48 million euros or 6.47% year-on-year, and 2.99 million euros or 1.03% compared to December 2023 (graph 2.28).

**Graph 2.28****Graph 2.29**

Source: Banks' reports

Source: Banks' reports

At end-June 2024, the effective reserve requirement rate, measured by allocated reserve requirement and total deposits ratio amounted to 5.34%, recording an increase year-on-year when it amounted to 5.13%, as well as compared to end-2023 when it reached 5.31%.

The reserve requirement to total deposits plus borrowings ratio amounted to 5.10%, recording an annual increase compared to June 2023 when it was 4.87% and a slight decline in relation to end-2023 when it amounted to 5.11% (graph 2.29).

At end-June 2024, some 71.03% of the total amount of allocated reserve requirement was allocated to the reserve requirement accounts in the country, while the remaining 28.97% was allocated to the CBCG's foreign accounts.

During the first half of 2024, none of the banks resorted to reserve requirement for liquidity purposes, while all eleven banks allocated the statutory amount of reserve requirement.

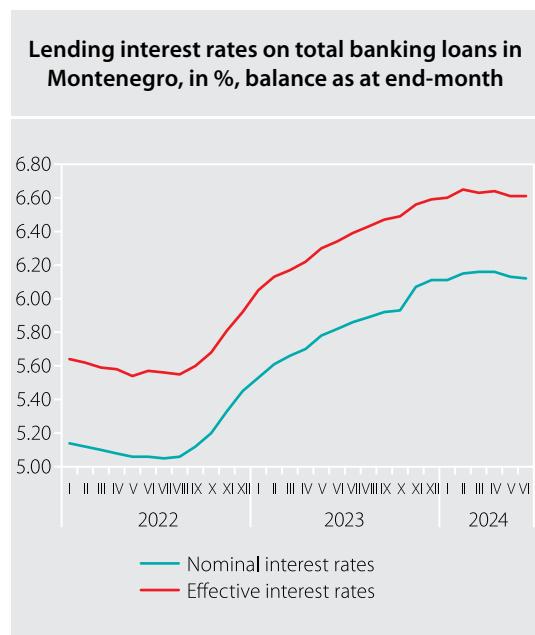
## 2.2. Banking interest rates

### 2.2.1. Lending interest rates

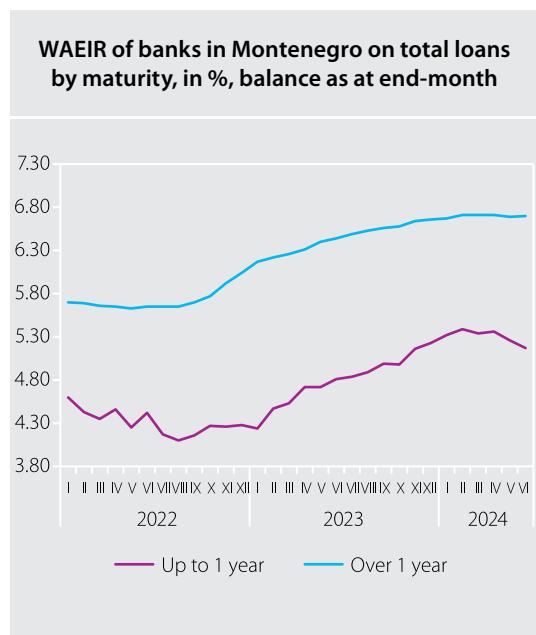
#### On total loans granted

In June 2024, the weighted average nominal interest rate (WANIR) on total loans granted amounted to 6.12% and it was 0.30 pp higher year-on-year and 0.01 pp higher relative to end-2023. The weighted average effective interest rate (WAEIR) on total loans granted amounted to 6.61%, being 0.27 pp higher year-on-year and 0.02 pp above end-2023 level (graph 2.30).

Graph 2.30



Graph 2.31



Source: Bank reports and CBCG calculations

Source: Bank reports and CBCG calculations

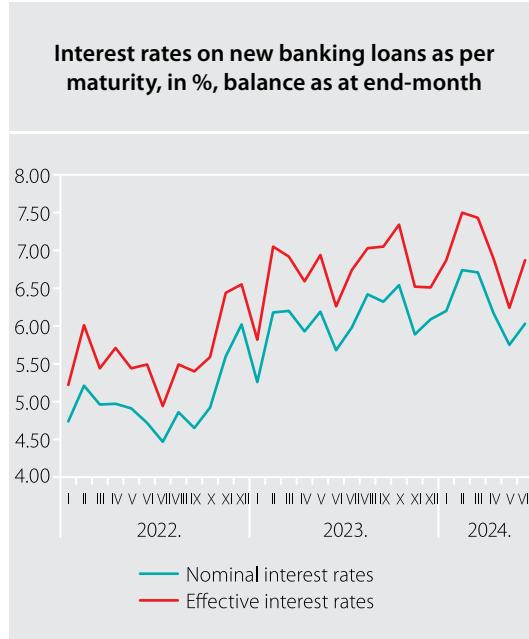
During the reporting period of 2024, we saw a downward trend in WANIR on short-term and long-term loans while WAEIR on short-term and long-term loans fluctuated with a monthly decline. The WAEIR on short-term loans reached 5.17% in June 2024, being 0.36 pp above the level recorded in June last year yet 0.06 pp below its December 2023 level. The WAEIR on long-term loans amounted to 6.70% and it grew by 0.26 pp year-on-year, and by 0.04 pp relative to end-2023 (graph 2.31).

### On new loans

Interest rates on new loans fluctuated in Q2 2024. In June 2024, the WANIR on these loans amounted to 6.03%, recording an increase of 0.35 pp year-on-year, yet a decrease of 0.06 pp relative to end-2023. At the same time, the WAEIR on new loans amounted to 6.87%, recording respective increases of 0.61 pp and 0.36 pp compared to June and December 2023 (graph 2.32). The recorded year-on-year growth resulted from the increase in WANIR and WAEIR on new corporate loans (by 0.35 pp and 0.97, respectively), while WANIR and WAEIR on new retail loans decreased (by 0.21 pp and 0.45 pp, respectively).

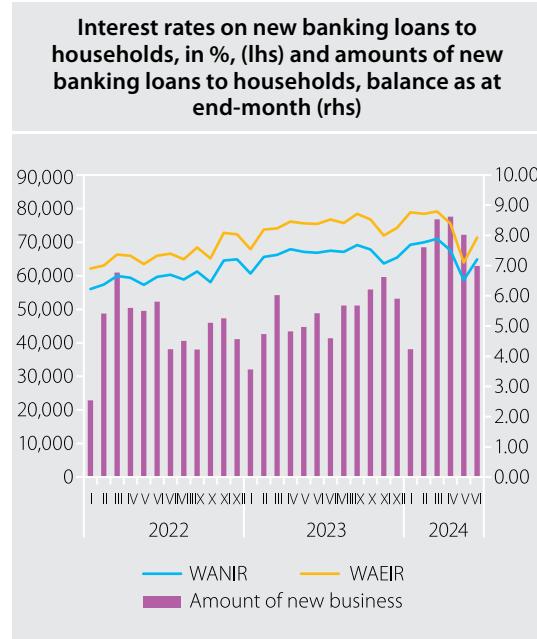
In March 2024, the CBCG launched an initiative to reduce interest rates on loans granted to households. All commercial banks supported his initiative and responded by creating a special promotional offer of retail loans with reduced interest rates. The initiative resulted in aggregate data for Q2 already pointing to decreased interest rates on retail loans. To wit, the WANIR and WAEIR on new banking loans to households were 7.21% and 7.93% in June 2024, showing respective decreases of 0.68 pp and 0.86 pp quarter-on-quarter (graph 2.33).

Graph 2.32



Source: Bank reports and CBCG calculations

Graph 2.33



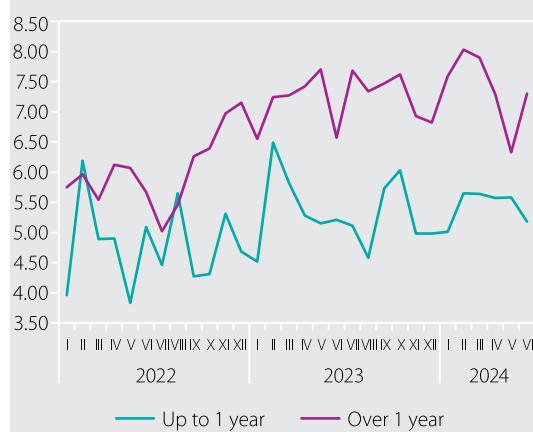
Source: Bank reports and CBCG calculations

The WAEIR on short-term loans stood at 5.18% in June this year, being 0.03 pp lower year-on-year yet 0.20 pp higher relative to the end of 2023, respectively. At the same time, the WAEIR on loans with agreed maturity over one year amounted to 7.30% and it grew by 0.73 pp year-on-year, and by 0.48 pp compared to end-2023 (graph 2.34).

Observed by the purpose of banking loans disbursed during the first six months of 2024, the highest WAEIR was recorded for short-term loans approved for purchasing cars (14.49% in May), long-term cash non-purpose loans (14.04% in May), and short-term loans for construction and adaptation (13.71% in May). The lowest WAEIR on new short-term loans was recorded for loans for purchasing consumer goods (0.04% in April).

Graph 2.34

Interest rates on new banking loans as per maturity, in %, balance as at end-month



Source: Bank reports and CBCG calculations

## 2.2.2. Deposit interest rates

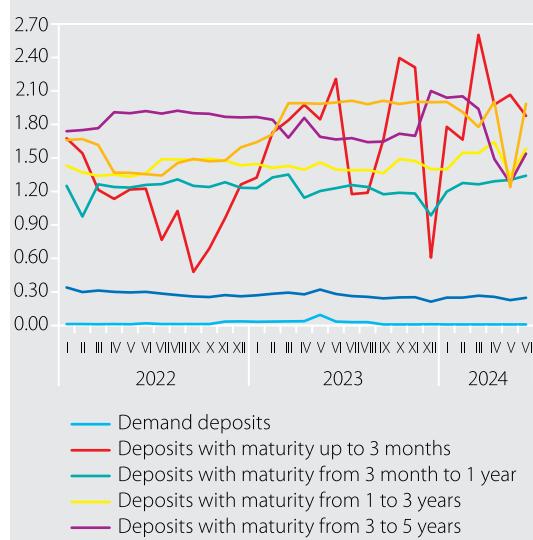
The WAEIR on deposits slightly fluctuated with a positive trend in Q2 2024. It stood at 0.25% at end-June this year, being 0.03 pp lower year-on-year yet 0.03 pp higher compared to end-2023.

Compared year-on-year, interest rates on demand deposits decreased by 0.03 pp, as well as on those with maturity up to three months (0.33 pp) and those with maturity from three to five years (0.13 pp). Interest rates on deposits with other maturities increased with the highest increase of 0.19 pp in interest rates on deposits with maturity from one to three years.

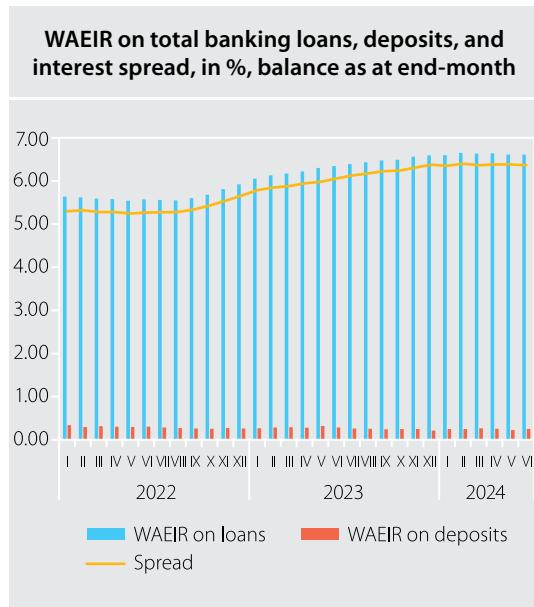
Interest rates on deposits with agreed maturities from three to five years and over five years recorded year-on-year decline by 0.56 pp and 0.02 pp, respectively. Other interest rates recorded growths, with the highest being in interest rates on deposits with agreed maturity of up to three months, 1.27 pp (graph 2.35).

Graph 2.35

WAEIR on total deposits in banks by maturity, in %, balance as at end-month



Source: Bank reports and CBCG calculations

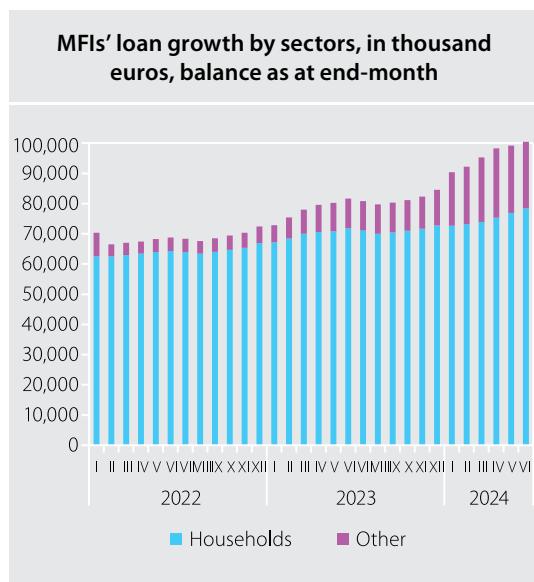
**Graph 2.36**

Source: Bank reports and CBCG calculations

In June this year, the difference between lending and deposit interest rates on total loans and deposits of banks amounted to 6.36 pp, being higher year-over-year when it amounted to 6.06 pp yet lower compared to end-2023 when it amounted to 6.38 pp (graph 2.36).

## 2.3. Microcredit financial institutions

At end-June 2024, total assets and liabilities of microcredit financial institutions (MFIs) amounted to 100.41 million euros and they recorded the year-on-year increase of 15.73 euros or 18.58% and 10.24 million euros or 11.36% increase in relation to the end of 2023.

**Graph 2.37**

Source: MFI reports and CBCG calculations

At end-March 2024, total net MFI loans amounted to 95.23 million euros and they accounted for 94.84% of MFI assets, while gross loans amounted to 100.47 million euros or 94.43% of gross assets. Compared year-on-year, total net MFI loans were 19.22 million euros or 24.29% higher, while they rose by 15.67 million euros or 19.69% compared to the end of the previous year. Gross MFI loans recorded the year-on-year increase of 18.79 million euros or 23.01%, and the growth of 15.89 million euros or 18.79% compared to end-2023. The sectoral distribution of household loans shows that the prevailing share of 78.09% of MFI loans was granted to the household sector. Loans to nonfinancial sector accounted to 17.54%, 4.36% went to the financial sector, while the remaining 0.01% referred to non-residents (graph 2.37).

During the first six months of 2024, MFIs approved a total of 45.38 million euros of new loans, which is an increase of 6.87 million euros or 17.84% year-on-year.

Looking at the maturity structure of new loans in the reporting period, loans approved for a period longer than one year amounted to 38.85 million euros and they accounted for 85.62% of all new loans, which is slightly lower than a year ago when it stood at 86.14%.

Looking at the purpose structure of new loans, the largest share in the amount of 22.72 million euros or 50.08% were loans for the acquisition of fixed assets, followed by loans for liquidity or working assets in the amount of 9.74 million euros or 21.47%, cash loans in the amount of 3.27 million euros or 7.21%, loans for housing purchase and renovation loans in the amount of 2.32 million euros or 5.11%, while 16.13% was for other purposes.

MFI borrowings accounted for 53.35% of total MFI liabilities and capital at the end of June 2024. Some 40.71% related to total capital, followed by “other liabilities” (5.24%), while issued securities accounted for 0.70% of total assets and liabilities.

At end-June this year, total MFIs’ capital amounted to 40.88 million euros, which is an increase of 1.64 million euros or 4.19% in relation to end-2023 and the year-on-year increase of 1.66 million euros or 4.24%.

At end-June 2024, total MFI borrowings amounted to 53.57 million euros and they were 17.05 million euros or 46.68% higher year-on-year, i.e. 9.29 million euros or 20.97% higher compared to end-2023. The prevailing share of MFI loans of 55.23% were borrowings from foreign financial institutions. Borrowings from domestic banks accounted for 37.70%, borrowings from domestic financial institutions were 0.06%, while 7.01% were borrowings from other sources. At end-June 2024, short-term MFI borrowings accounted for 27.12% of total borrowings, while long-term borrowings made up 72.88%.

At the aggregate level, MFIs recorded a positive financial result of 1.82 million euros, which represents a decline of 602.000 euros or 24.88% compared to the same six-month period of 2023.

### 2.3.1. MFI interest rates

#### On total loans granted

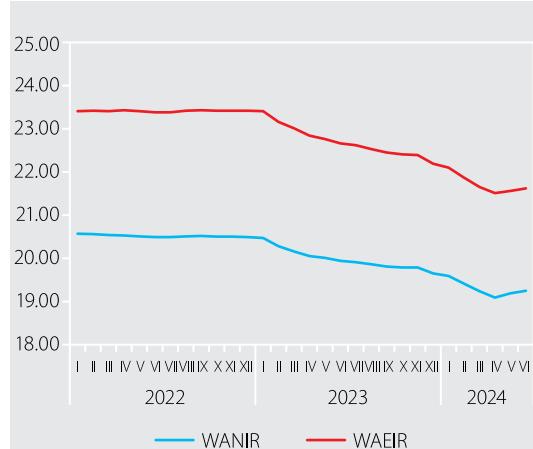
At end-June 2024, the weighted average nominal interest rate (WANIR) on total MFI loans amounted to 19.25%, being 0.69 pp and 0.40 pp lower year-on-year and compared to the end of 2023, respectively.

The weighted average effective interest rate (WAEIR) reached 21.62% and it dropped 1.04 pp year-on-year and 0.57 in relation to end-2023 (graph 2.38).

At end-June 2024, the WAEIR on total short-term loans stood at 21.64%, being 0.60 pp lower year-on-year yet 0.16 pp higher compared to end-2023.

Graph 2.38

WANIR and WAEIR on total MFI loans, in %, balance as at end-month



Source: MFI reports and CBCG calculations

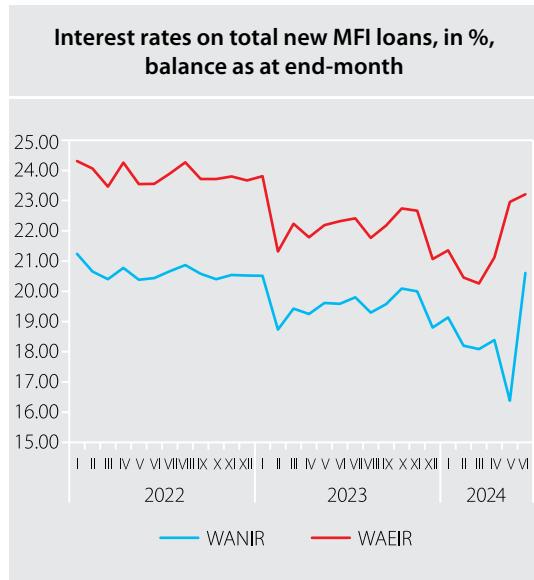
At the same period, the WAEIR on total long-term loans stood at 21.61%, being 1.18 pp lower year-on-year and 0.63 pp lower compared to end-2023.

### On new loans

At the end of the reporting period, the WANIR on new MFI loans amounted to 20.61%, recording the year-on-year increase of 1.02 pp and a 1.81 pp increase in relation to December 2023.

At the same time, the WAEIR on new loans amounted to 23.21% in June 2024, recording respective increases of 0.89 pp and 2.14 pp compared to June and December 2023 (graph 2.39).

**Graph 2.39**



Source: MFI reports and CBCG calculations

In June 2024, observed by maturity, the WAEIR on new short-term loans stood at 22.52%, being 1.15 pp and 2.62 pp higher year-on-year and compared to end-2023, respectively.

On the other hand, the WAEIR on loans with agreed maturity over one year amounted to 23.31% and it grew by 0.82 pp year-on-year, and by 2.02 pp in relation to end-2023.

Observed by purpose of loans granted by these institutions during the reporting period, the highest WAEIR was on short-term loans for car purchase (37.16% in January and 35.28% in April), then short-term loans for construction or adaptation of construction objects (35.85% in February and 35.74% in April), and short-term loans for the preparation of tourist season (35.73% in June).

## 2.4. Factoring companies

As at end-June 2024, total assets and liabilities of factoring companies reached 9.18 million euros, which represents 184,000 euros or 2.05% increase year-on-year and a 1.07 million euros or 13.26% growth in relation to the end of 2023.

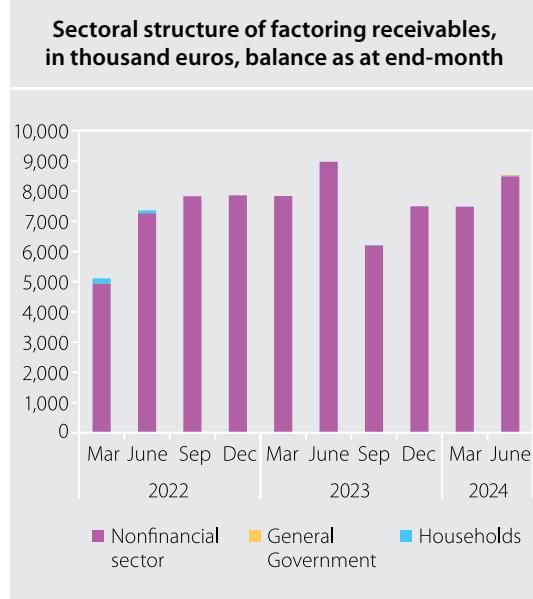
The prevailing share of total assets in the amount of 8.47 million euros or 92.30% was factoring net receivables and they recorded a year-on-year decrease of 381,000 euros or 4.31%, yet an increase of 1.10 million euros or 14.85% compared to the end of 2023. Deposits with banks amounted to 360,000 euros, which is an increase of 305,000 euros or 7 times more year-over-year, and a drop of 92,000 euros or 20.35% less compared to end-2023. The remaining amount of 347,000 euros were “other assets”, which increased by 260,000 euros or 4 times more year-on-year, and growth by 71,000 euros or 25.72% compared to the end of 2023.

The largest part of factoring net receivables in the amount of 8.48 million euros or 99.64% related to the non-financial sector at the end of June 2024. General Government accounted for 30,000 or 0.35%,

while the remaining 1,000 euros or 0.01% related to retail sector (graph 2.40).

Factoring companies finance themselves primarily from received loans, which at the end of June this year amounted to 6.71 million euros and they made up 73.15% of total liabilities. Received loans recorded a decline of 796,000 euros or 10.60% year-on-year, but they grew by 547,000 euros or 8.87% in relation to end-2023. Total capital of factoring companies amounted to 1.90 million euros and it made up 20.67% of the liabilities of these institutions, while the “other liabilities” category accounted for 567,000 euros or 6.18% of the total assets and liabilities. Compared year-on-year, total capital grew by 569,000 euros or 42.85%, i.e. 383,000 euros or 25.30% in relation to the end of the previous year. The category “other liabilities” recorded year-on-year growth of 411,000 euros year (or 4 times) and of 144,000 euros (34.04%) compared to the end of 2023.

Graph 2.40



Source: Reports of factoring companies and CBCG calculations

## 2.5. Companies for the purchase of receivables

As at end-June 2024, total assets and liabilities of the companies for the purchase of receivables reached 8.54 million euros, which represents 620,000 euros or 6.77% increase year-on-year and a 252,000 euros or 3.04% growth in relation to the end of 2023.

At the end of the reporting period, the structure of total assets and liabilities of companies for the purchase of receivables shows that net receivables based on purchased receivables accounted for the prevailing share of 6.78 million euros or 79.45% of total assets, recording a year-on-year growth of 115,000 euros or 1.72% yet a growth of 301,000 euros or 4.64%. The category “other assets” accounted for 1.09 million euros or 12.72% of total assets, while deposits accounted for the remaining 667,000 euros or 7.82%, and cash to only 1,000 euros or 0.01% of total assets. The category “other liabilities” recorded respective declines of 207,000 euros (16.01%) and 334,000 euros (23.52%) compared year-over-year and to December 2023, respectively. Deposits of companies for the purchase of receivables amounted to 667,000 euros in June 2024, increasing 347,000 euros or 2 times more than in December 2023.

Companies for the purchase of receivables financed themselves mainly from capital which amounted to 4.71 million euros and it accounted for 55.21% of total liabilities at end-June 2024. Received loans amounted to 1.41 million euros or 16.49% of total liabilities, while the remaining portion of 2.42 million euros or 28.30% referred to the category “other liabilities”. Compared year-on-year, total capital grew by 734,000 euros or 18.45%, and 240,000 euros or 5.37% in relation to the end of the previous year. Received loans recorded a decline of 1.75 million euros or 55.43% year-on-year, but they remained unchanged compared to end-2023. The category “other liabilities” recorded year-on-year growth of 397,000 euros year (or 19.67%) and growth of 12,000 euros (0.50%) compared to the end of 2023.

## 2.6. Investment and Development Fund

At the end of June 2024, total assets and liabilities of the Investment and Development Fund amounted to 414.85 million euros and decreased by 22.12 million euros or 5.06% compared to June 2023 and by 18.87 million euros or 4.35% compared to the end of 2023.

At end-June 2024, total liabilities amounted to 305.98 million euros or 73.76% of total liabilities, and were 34.21 million euros or 10.05% lower year-on-year and 23.33 million euros or 7.09% lower compared to end-2023.

Non-performing assets amounted to 28.02 million euros, accounting for 6.75% of total assets. In relation to June 2023, total non-performing assets were lower by 13.30 million euros or 32.19%, and by 7.70 million euros or 21.56% compared to end-December 2023.

In the first six months of 2024, the Investment and Development Fund recorded a profit of 5.37 million euros, 1.94 million euros or 56.40% more compared year-on-year.

# TREASURY BILLS ISSUE

03



During the period January - June 2024 there were no treasury bill auctions due to the Government's use of other borrowing mechanisms<sup>41</sup>, while in December last year there were three treasury bill issues worth 70 million euros. Total demand was 60 million euros and the amount sold at three auctions held in this month was 50 million euros (graph 1).

At the first auction held on 12 December 2023, the maturity of the issued T-bills was 182 days and the average weighted interest rate was 3.50%, at the second auction (14 December) the maturity of T-bills was 273 days and the average interest was 4.00%, while at the third auction (21 December), 91-day T-bills were sold at an average interest rate of 3.75%.

Total government debt based on T-bills sold amounted to 10 million euros as at 30 June 2024, which is a decrease of 40 million euros compared to end-2023.

**Graph 3.1**

**Treasury bills sold, in thousand euros (lhs) and weighted average interest rates in % (rhs) in 2023**



Source: CBCG

<sup>41</sup> The Ministry of Finance borrowed money on the London Stock Exchange on behalf of the Government of Montenegro by issuing government Eurobonds in the amount of 750 million US dollars with the maturity period of seven years and at the interest rate of 7.25%, and with the aim of repaying previous debts and financing infrastructure projects. As at the exchange rate date 6 March 2024 (transaction date), the debt reached 687.76 million euros, while the interest rate will be 5.88% due to the prepaid currency hedging.



# CAPITAL MARKET

04



During the first six months of 2024, 5.66 million euros of turnover was recorded on the Montenegro Stock Exchange, which represents an increase of 748,796 million euros or 15.24% on the annual level.

As a result, the average monthly turnover was 943,823 million euros, which is more than the value recorded in the comparative period (819,024 euros). The highest turnover in the amount of 2.08 million euros was recorded in May.

The turnover during the first 6 months of 2024 was realized through a reduced number of total transactions compared to the comparative period (904), which represents a drop of 19.43% (graph 4.1). The highest monthly number of deals, 313, was concluded in May.

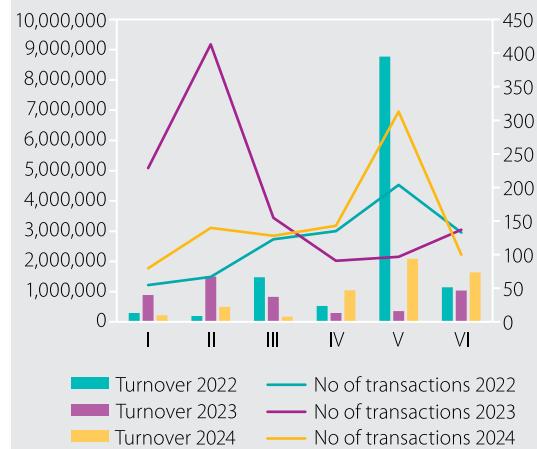
In the observed period, not a single block trade or auction for a block of shares was realized on the Montenegro Stock Exchange.

The turnover during the first six months of 2024 was realised through primary trade in the amount of 193,982 euros (April), which accounted for 3.25% of total turnover.

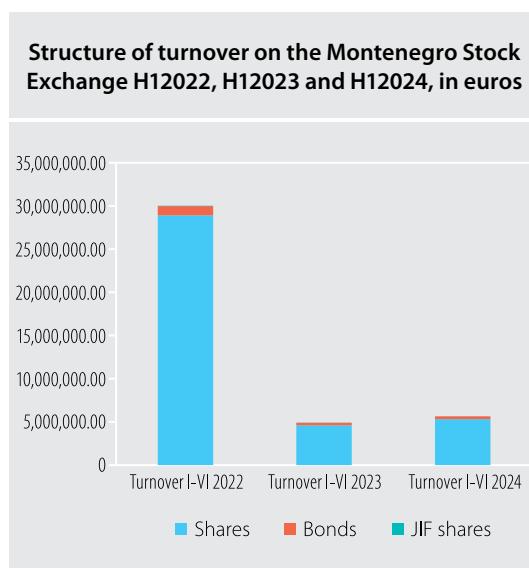
On the other hand, turnover realised through secondary trade amounted to 5.48 million euros or 96.75% of total turnover.

**Graph 4.1**

**Total monthly turnover in euros (lhs) and number of transactions (rhs) on the Montenegro Stock Exchange H12022, H12023 and H12024**



Source: Montenegro Stock Exchange

**Graph 4.2**

Source: Montenegro Stock Exchange

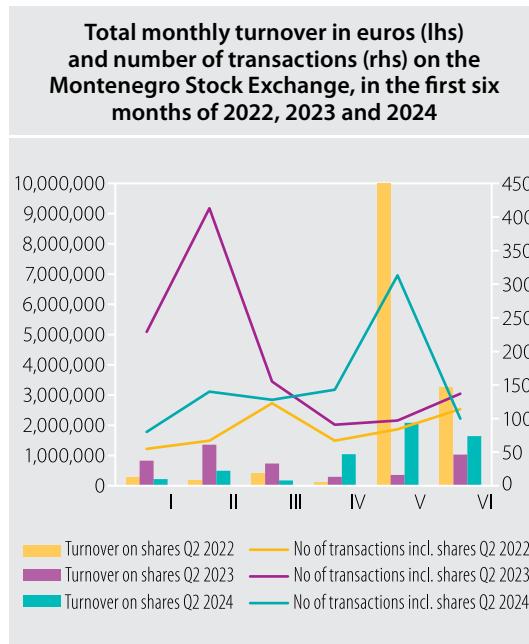
## Turnover structure

In the structure of turnover achieved in the first half of 2024, the largest share of 93.88% was recorded with the trade in company shares, which 0.11 pp more on the annual basis. The share of trade in various types of bonds amounted to 6.12% and it recorded the annual growth of 0.18 pp. In the reporting period, there was no trade in collective investment fund (CIF) shares (graph 4.2).

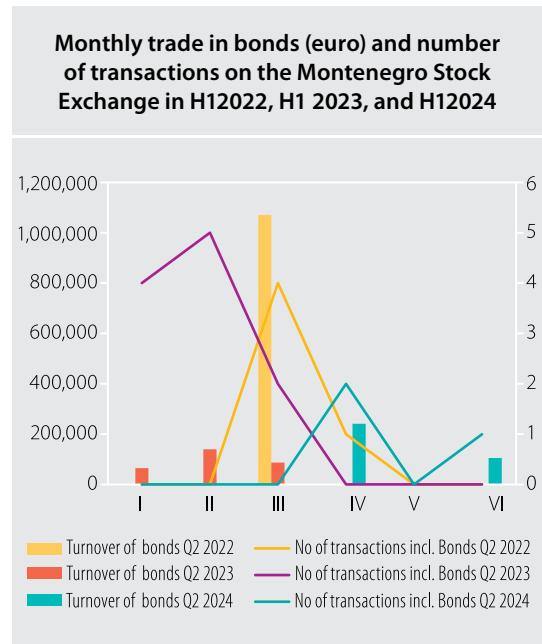
The total company shares turnover in the amount of 5.32 million euros was executed through 901 transactions, accounting for 99.67% of total transactions executed at the Montenegro Stock Exchange. The trade in company shares was 708.34 million euros or 15.37% higher year-on-year, while the number of completed transactions decreased by 19.43% (graph 4.3).

The turnover of bonds in the observed period amounted to 346,475 euros, which is 54,795 euros or 18.79% more on the annual level. Total bonds turnover was executed through 3 transactions (graph 4.4).

Total turnover in bonds referred to trade in corporate bonds and the Compensation Fund bonds.

**Graph 4.3**

Source: Montenegro Stock Exchange

**Graph 4.4**

Source: Montenegro Stock Exchange

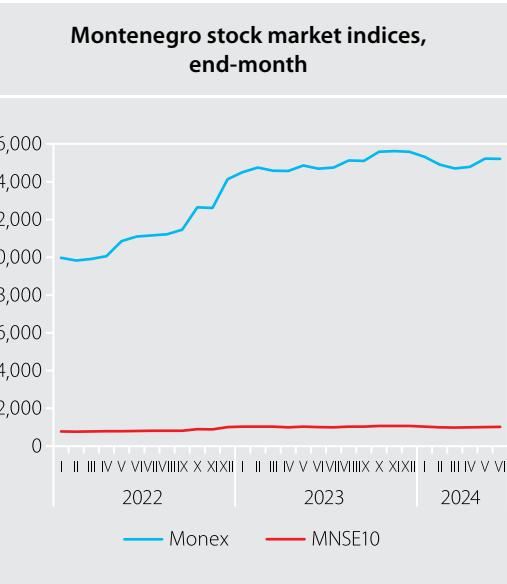
## Stock exchange indices

During the first six months of 2024, the MONEX index fluctuated more significantly than the MNSE10 (graph 4.5).

At end-June 2024, the MONEX index<sup>42</sup> amounted to 15,207.20 index points and recorded an increase of 511.49 index points or 3.48% compared to the same period of the previous year, while compared to the end of the previous year it declined by 375.93 index points or 2.41%.

At the same time, the MNSE10<sup>43</sup> index reached 1,016.17 and it rose by 14.15 index points or 1.41% compared to the same period of the previous year, while compared to the end of 2023 it dropped by 47.15 index points or 4.43%.

Graph 4.5



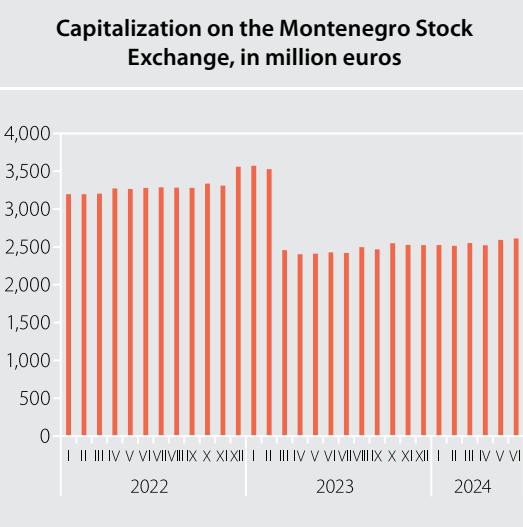
Source: Montenegro Stock Exchange

## Capitalisation

The realized market capitalization on the Montenegro Stock Exchange amounted to 2,613.29 million euros at end-June 2024, being 7.64% higher year-over-year and 3.58% above the level reached at the end of the previous year (graph 4.6).

Liquidity measured by the asset turnover ratio on the Montenegro Stock Exchange was 0.000628 at the end of June this year and it was lower compared to the same period of the previous year when it was 0.000427, as well as compared to end-2023 when it was 0.000863.

Graph 4.6



Source: Montenegro Stock Exchange

<sup>42</sup> The MONEX is the index weighted by market capitalization that is in free float and it is not adjusted for dividends paid nor protected from the dilution effect that occurs due to the payment of dividends.

<sup>43</sup> MNSE10 represents a leading (blue-chip) index of the Montenegro SE, aimed at precisely describing developments of prices of shares at the Stock Exchange and Free market of "Montenegro Stock Exchange" AD Podgorica. It includes ten most successful companies from the Montenegrin market.



## FISCAL DEVELOPMENTS

05



During the first half of 2024, *public finances and the state budget* of Montenegro were marked by more effective collection of public and budget revenues than the realization of public and budget expenditures, which contributed to the achievement of a cash surplus in public finances, i.e. a cash surplus in the budget.

The growth of revenues at the annual level is primarily the result of higher collection of value added tax and corporate income tax, while the decrease in other revenues, due to the lower amount of one-time revenues affected a significantly lower growth of revenues than expenditures.

On the expenditure side, a significant year-on-year increase was caused by a higher allocation of funds for pension and disability insurance rights, mainly due to the increase in the minimum pension.

At the same time, compared to the plan for the first half of 2024, the recorded decrease in expenditures in the observed period is a result of the decrease in transfers to institutions, individuals, non-government and public sectors.

## 5.1. Public finances of Montenegro<sup>44</sup>

According to the Ministry of Finance estimates, *public revenues*<sup>45</sup> amounted to 1,497.54 million euros in the first six months of 2024, i.e. 20.57% of the estimated GDP for 2024<sup>46</sup> (Annex D, table 12). Realized public revenues during the first six months are higher by 90.30 million euros or 6.42% compared to the planned for the observed period, and by 115.03 million euros or 8.32% compared to the same period of the previous year. The highest increase was recorded in tax revenues (174.97 million euros or 19.87%), mainly from revenues based on corporate income tax (60.37 million euros or 12.69%).

In the public revenues structure, tax revenues accounted for the main share of 70.48%, followed by contributions with 17.76%, while the remaining 11.76% referred to revenues from fees (4.06%), other revenues (3.96%), donations (3.12%), duties (0.61%), and loan repayment revenues (0.01%).

<sup>44</sup> The structure of Montenegro's public finances comprises of the Budget of Montenegro with the state funds (Pension and Disability Fund, Health Insurance Fund, Compensation Fund, Employment Agency, and Labour Fund) and self-government budgets (Old Royal Capital Cetinje, Capital Podgorica, and 23 municipalities).

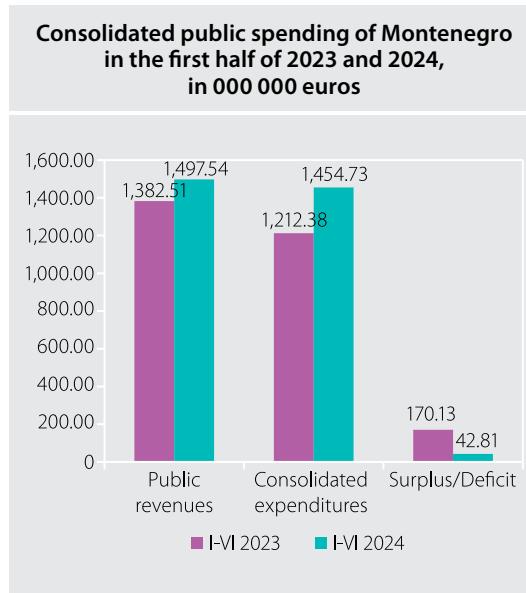
<sup>45</sup> Total public revenues include revenues from budget, state funds and local self-government.

<sup>46</sup> Source: Ministry of Finance; estimated GDP for 2024 amounts to 7,279.70 million euros.

*Public spending* in the first half of 2024 amounted to 1,454.73 million euros, or 19.98% of the estimated GDP. Compared to the same period of 2023, public spending recorded increase of 242.35 million euros or 19.99%. The highest increase in expenditures (92 million euros) was recorded in social welfare transfers, mostly due to the increase in expenditure on pensions caused by the increase in the minimum pension, the regular adjustment of pensions in accordance with the change in the annual inflation rate and the change in the gross average salary, and the increase in the number of pensioners<sup>47</sup>.

The missing funds during the first six months amounted to 280.74 million euros. The state borrowed 0.49 million euros through domestic sources and 700.23 million euros through foreign sources of financing. Receipts from property sales amounted to 4.45 million euros, and receipts from loan repayments to 10.16 million euros, while revenues from transfers from the budget amounted to 9.48 million euros. Therefore, larger sources of financing due to the withdrawal of funds from foreign credit arrangements led to an increase in state deposits by 444.05 million euros.

**Graph 5.1**



Source: Ministry of Finance

Observed by economic classification, the largest expenditure item were social protection transfers (484.15 million or 6.65% of GDP, mainly due to pension expenditures) and gross wages (370.93 million euros or 5.10% of GDP), while transfers to institutions, individuals, non-governmental and public sectors amounted to 229.27 million euros or 3.15%, and capital expenditures to 120.50 million euros or 1.66% of GDP.

The level of public revenues in the first half of 2024 is higher than the realized public spending, so the *cash surplus* of the public sector amounted to 42.81 million euros or 0.59% of estimated GDP, while in the same period of the previous year the cash surplus of the public sector amounted to 170.13 million euros or 2.48% of estimated GDP for 2023 (graph 5.1).

<sup>47</sup> The increase in the number of pensioners was affected by the transition of beneficiaries of compensations for mothers of three or more children from compensations to pensions as their acquired right, and the retirement of a number of the employees in the Ministry of Internal Affairs due to more favourable retirement conditions defined by the Law Amending the Law on Internal Affairs from 2023.

## 5.2. Budget of Montenegro

As per preliminary data of the Ministry of Finance, *total revenues of the budget and state funds*<sup>48</sup> amounted to 2,019.91 million euros or 27.75% of the estimated GDP during the reporting six months of 2024. In the structure of budget revenues, current revenues accounted for 64.81%, while borrowings and loans from foreign sources and revenues from the sale of assets and loan repayment accounted for 35.19% (table 5.1).

*Current revenues* of the budget amounted to 1,309.18 million euros, or 17.98% of estimated GDP. In relation to the plan, these revenues were higher by 6.11%, and compared to the same period in 2022 by 5.88%.

In the current revenues structure, tax revenues accounted for the main share (73.28%), followed by contributions (20.31%), while the remaining 6.41% referred to other revenues (3.09%), fees (1.75%), donations (1.05%) and duties (0.52%).

Collection of tax revenues (taxes and contributions) amounted to 1,225.27 million euros, of which indirect taxes accounted for 730.36 million euros and direct taxes<sup>49</sup> accounted for 494.91 million euros. Within taxes, the largest share in current revenues consists of value added tax (40.94%), while in the category of contributions, contributions for pension and disability insurance recorded the largest share (18.65%).

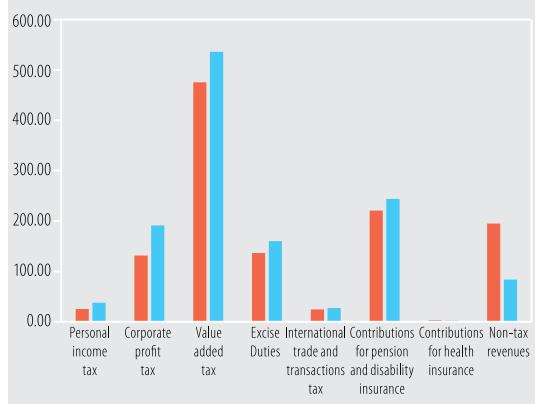
Tax revenues amounted to 959.32 million euros, recording a 6.76% increase relative to the plan and a year-on-year increase of 19.88%.

Revenues from all taxes recorded an annual increase, with the largest increase (60.37 million euros) recorded in value added tax, which is the result of the dynamics of VAT refunds, which have been accelerated by the Tax Administration since the beginning of the year, considering the accumulated amounts of refund requests from the previous period. Moreover, a significant increase was recorded in corporate income tax (59.59 million euros), due to improved tax discipline and the results achieved by business entities in the previous year.

Revenues from contributions amounted to 265.95 million euros and were higher by 4.80% compared to the plan, and by 10.17% compared to the same period of the previous year, due to the increase in

**Graph 5.2**

**Consolidated public spending of Montenegro in the first half of 2023 and 2024, in 000 000 euros**



Source: Ministry of Finance

<sup>48</sup> According to the Law Amending the Law on Budget and Fiscal Responsibility (adopted at the end of February of the current year), receipts include current revenues (direct and indirect taxes and non-tax revenues), borrowings and loans from domestic and foreign sources, receipts from property sales and receipts from loan repayments. Receipts from loan repayments are excluded from current revenues and are now part of financing transactions.

<sup>49</sup> Direct taxes consist of: personal income tax, corporate profit tax and contributions.

the base for calculating contributions affected by the increase in wage coefficients for the employees in the public sector.

**Table 5.1**

Type of revenue	Revenues of the Budget of Montenegro and state funds January-June 2024							
	Realised I-VI 2023	Plan I-VI 2024	Recorded January-June 2024	Share in total revenues	Share in GDP	Recorded in relation to the Plan	Recorded in relation to I-VI 2023	
	In million euros	In million euros	In million euros	%	%	Index	Index	
Taxes	800.21	898.55	959.32	47.49	13.18	106.76	119.88	
Personal income tax	25.45	30.95	37.77	1.87	0.52	122.04	148.41	
Corporate profit tax	131.60	141.23	191.19	9.47	2.63	135.37	145.28	
Property turnover tax	0.00	0.00	0.00	0.00	0.00			
Value added tax	475.59	536.61	535.96	26.53	7.36	99.88	112.69	
Excise Duties	136.71	156.27	160.22	7.93	2.20	102.53	117.20	
Tax on international trade and transactions	24.49	26.85	27.25	1.35	0.37	101.49	111.27	
Other state taxes	6.37	6.64	6.93	0.34	0.10	104.37	108.79	
Contributions	241.41	253.78	265.95	13.17	3.65	104.80	110.17	
Contributions for pension and disability insurance	220.75	234.70	244.10	12.08	3.35	104.01	110.58	
Contributions for health insurance	3.06	1.31	2.31	0.11	0.03	176.34	75.49	
Contributions for unemployment insurance	10.06	9.96	11.38	0.56	0.16	114.26	113.12	
Other contributions	7.54	7.81	8.16	0.40	0.11	104.48	108.22	
Duties	6.63	6.60	6.78	0.34	0.09	102.73	102.26	
Fees	31.25	23.95	22.97	1.14	0.32	95.91	73.50	
Other revenues	112.79	35.79	40.43	2.00	0.56	112.96	35.85	
Grants and transfers	44.18	15.10	13.73	0.68	0.19	90.93	31.08	
SOURCE REVENUES	1,236.47	1,233.77	1,309.18	64.81	17.98	106.11	105.88	
Receipts from property sale	1.88	3.00	1.07	0.05	0.01	35.67	56.91	
Revenues from loan repayment	8.38	3.73	10.06	0.50	0.14	269.71	120.05	
Borrowings and loans from foreign sources	115.24	687.00	699.60	34.64	9.61	101.83	607.08	
Borrowings and loans from domestic sources	0.00	0.00	0.00	0.00	0.00			
TOTAL REVENUES OF THE BUDGET OF MONTENEGRO AND STATE FUNDS	1,361.97	1,927.50	2,019.91	100.00	27.75	104.79	148.31	
NOTE:								
GDP in million euros (for 2024; estimation)					7,279.70			

Source: Ministry of Finance

During the first six months of 2024, *total budget expenditures*<sup>50</sup> amounted to 1,594.35 million euros or 21.90% of the estimated GDP. Compared to the planned ones, they were 6.91% lower, and compared to the first six months of the previous year, they recorded a growth of 28.71% (table 5.2).

<sup>50</sup> Pursuant to the Law Amending the Law on Budget and Fiscal Responsibility (adopted at the end of February of the current year), total budget expenditures consist of: consolidated expenditures, repayment of securities and loans to residents and non-residents, expenditures for the purchase of securities and expenditures based on borrowings and loans.

Consolidated budget expenditures<sup>51</sup> amounted to 1,278.69 million euros, and made up 17.57% of the estimated GDP. Realized consolidated expenditures were 108.52 million euros or 7.82% lower than planned, while on the annual level they recorded an increase of 207.20 million euros or 19.34%.

Current budget expenditures amounted to 513.28 million euros and they were 9.06% lower in relation to the plan, which was mainly affected by the reduction in other expenditures by 15.09 million euros or 35.81%. Current budget expenditures were lower by 13.54% than planned, and higher by 8.35% at the annual level, with the largest increase (20.45 million euros or 6.50%) recorded in gross wages and contributions paid by the employer, due to the increase in wages of employees in the public sector during 2023.

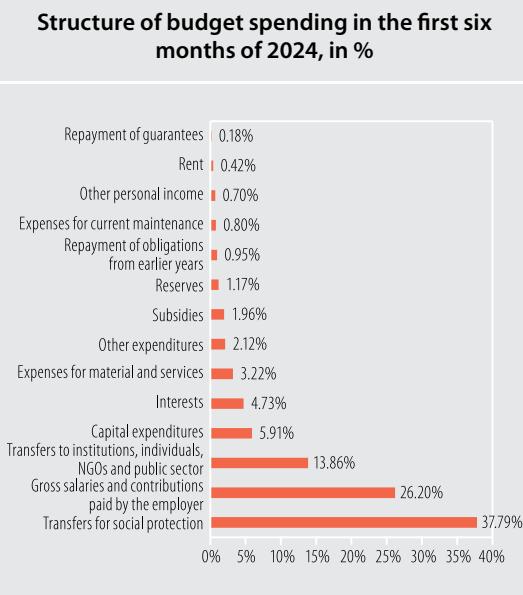
The budget spending structure (graph 5.3) shows that the highest share referred to transfers for social protection (37.79%), followed by gross earnings (26.20%), while transfers to institutions, individuals, NGOs and public sector accounted for 13.86% and capital expenditures made up 5.91%. Other purposes accounted for 16.24% of the budget expenditures.

Debt repayment (to residents and non-residents, based on securities and loans), based on principal, amounted to 307.60 million euros and compared to the same period of the previous year, recorded an increase of 147.96 million euros, due to the paid sixth instalment of the loan to the Chinese Exim Bank for the priority section of the “Bar-Boljare” highway, repayment of part of the debt based on the credit arrangement with Deutsche Bank<sup>52</sup>, as well as repayment of part of the debt based on issued treasury bills and domestic bonds.

In the first six months of 2024, there were no borrowings and loans from domestic sources, while borrowings and loans from foreign sources amounted to 699.60 million euros. In fact, due to borrowing through the issuance of Eurobonds, a significant increase of 584.36 million euros in borrowings and loans from foreign sources was recorded compared to the same period of the previous year (table 5.1).

In the observed period, the budget of Montenegro recorded a *cash surplus*<sup>53</sup> of 30.49 million euros or 0.42% of GDP, which is 134.49 million euros lower than the budget cash surplus recorded in the same period last year.

Graph 5.3



Source: Ministry of Finance and CBCG calculations

<sup>51</sup> Consolidated expenditures consist of: current budget expenditures, transfers for social protection, transfers to institutions, individuals, non-government and public sectors, capital expenditures, reserves, repayment of guarantees and repayment of obligations from previous years.

<sup>52</sup> The Ministry of Finance of Montenegro, through a loan arrangement with Deutsche Bank, has provided 100 million euros to finance budget liabilities in 2023.

<sup>53</sup> Methodology for surplus/deficit calculation, OGM, 53/09 Cash deficit represents the difference between current revenues and consolidated expenditures.

**Table 5.2**

DESCRIPTION	Realised in the period I-VI 2023	Plan I -VI 2024	Realised in the period I-VI 2024	Share in total expenditures	Share in GDP	Realised in relation to the plan	Realised in relation to I-VI 2023
	In million euros	In million euros	In million euros	%	%	Index	Index
Current budget expenditure	473.73	564.43	513.28	32.19	7.05	90.94	108.35
Gross salaries and contributions paid by the employer	314.59	339.06	335.04	21.01	4.60	98.81	106.50
Other personal income	7.74	10.66	9.00	0.56	0.12	84.43	116.28
Expenses for material and services	44.00	56.36	41.12	2.58	0.56	72.96	93.45
Expenses for current maintenance	9.08	15.51	10.21	0.64	0.14	65.83	112.44
Interests	48.87	65.26	60.43	3.79	0.83	92.60	123.65
Rent	4.84	7.04	5.36	0.34	0.07	76.14	110.74
Subsidies	23.26	28.40	25.07	1.57	0.34	88.27	107.78
Other expenditures	21.35	42.14	27.05	1.70	0.37	64.19	126.70
Transfers for social protection	391.92	497.83	483.22	30.31	6.64	97.07	123.30
Transfers to individuals, NGOs and public sector	145.02	201.42	177.22	11.12	2.43	87.99	122.20
Capital expenditures	45.19	89.05	75.54	4.74	1.04	84.83	167.16
Reserves	6.61	22.02	14.92	0.94	0.20	67.76	225.72
Repayment of guarantees	1.17	0.00	2.3	0.14	0.03		196.58
Repayment of obligations from earlier years	7.85	12.46	12.21	0.77	0.17	97.99	155.54
<b>CONSOLIDATED EXPENDITURES</b>	<b>1,071.49</b>	<b>1,387.21</b>	<b>1,278.69</b>	<b>80.20</b>	<b>17.57</b>	<b>92.18</b>	<b>119.34</b>
Repayment of securities and loans to residents	56.39	164.74	161.68	10.14	2.22	98.14	286.72
Repayment of securities and loans to residents	103.25	156.05	145.92	9.15	2.00	93.51	141.33
Expenditures for the purchase of securities	0.61	2.20	3.27	0.21	0.04	148.64	536.07
Borrowings and loans	6.98	2.58	4.79	0.30	0.07	185.66	68.62
<b>TOTAL EXPENDITURES</b>	<b>1,238.72</b>	<b>1,712.78</b>	<b>1,594.35</b>	<b>100.00</b>	<b>21.90</b>	<b>93.09</b>	<b>128.71</b>
NOTE:							
Montenegrin GDP in million euros, estimation					7,279.70		

Source: Ministry of Finance

### 5.3. Local Self-Government

According to preliminary Ministry of Finance data, local self-governments revenues amounted to 188.37 million euros or 2.59% of GDP in the first half of 2024, which is 8.60% more than planned, and 42.34 million euros or 28.99% more than the revenue generated in the same period last year. All revenues' categories, except for receipts from loan repayment, recorded a positive deviation compared to the same period of the previous year, with the largest increase recorded in the collection of taxes (an increase of 15.86 million euros).

Preliminary local self-government expenditures amounted to 176.05 million euros or 2.42% of GDP. Compared to the plan, they recorded an increase of 3.60 million euros or 2.09%, while compared to the same period last year they were higher by 35.16 million euros or 24.96%. The largest increase in expenditures compared to the same period of the previous year was recorded in capital expenditures (16.06 million euros or 55.55%) and transfers to institutions, individuals, non-government and public sectors (14.72 million euros or 39.43%).

Local self-governments recorded a surplus of 12.32 million euros, while liabilities from the previous period were repaid in the amount of 19.52 million euros (table 5.3).

**Table 5.3**

Preliminary current revenues and consolidated expenditures of local self-governments in Montenegro in the first half of 2024, in million euros						
Type of revenue	Realised in the period I-VI 2023	Plan January-June 2024	Realised in the period I-VI 2024		Realised in relation to the plan for I - VI 2024	Realised in relation to I-VI 2023
	million euros	million euros	million euros	% of GDP	Index	Index
<b>SOURCE REVENUES</b>	<b>146.03</b>	<b>173.46</b>	<b>188.37</b>	<b>2.59</b>	<b>108.60</b>	<b>128.99</b>
Taxes	80.29	90.34	96.15	1.32	106.43	119.75
Duties	2.10	3.00	2.31	0.03	77.00	110.00
Fees	34.2	40.20	37.82	0.52	94.08	110.58
Other revenues	6.68	7.00	18.92	0.26	270.29	283.23
Revenues from loan repayment	0.13	0.00	0.10	0.00		76.92
Donations	22.63	32.92	33.07	0.45	100.46	146.13
<b>CONSOLIDATED EXPENDITURES</b>	<b>140.89</b>	<b>172.45</b>	<b>176.05</b>	<b>2.42</b>	<b>102.09</b>	<b>124.96</b>
Current expenditures	50.93	65.35	56.83	0.78	86.96	111.58
Gross salaries and contributions paid by the employer	31.36	35.5	35.89	0.49	101.10	114.45
Other personal income	1.90	3.20	2.08	0.03	65.00	109.47
Expenses for material and services	8.28	11.21	9.02	0.12	80.46	108.94
Current maintenance	2.76	3.74	2.18	0.03	58.29	78.99
Interests	1.2	1.59	1.41	0.02	88.68	117.50
Rent	0.26	0.36	0.28	0.00	77.78	107.69
Subsidies	0.96	3.87	1.35	0.02	34.88	140.63
Other expenditures	4.21	5.88	4.62	0.06	78.57	109.74
Transfers for social protection	0.24	1.10	0.93	0.01	84.55	387.50
Transfers to institutions, individuals, NGOs and public sector	37.33	47.40	52.05	0.72	109.81	139.43
Capital expenditures	28.91	40.00	44.97	0.62	112.43	155.55
Borrowings and loans	0.03	0.00	0.41	0.01		1,366.67
Reserves	1.30	1.60	1.34	0.02	83.75	103.08
Repayment of guarantees	0.00	0.00	0.00	0.00		
Repayment of liabilities from the previous years	22.15	17.00	19.52	0.27	114.82	88.13
Surplus/Deficit	5.14	1.01	12.32	0.17	1,219.80	239.69
Primary deficit	6.34	2.60	13.73	0.19	528.08	216.56
Transfers from the Budget of Montenegro	5.94	5.00	9.48	0.13	189.60	159.60
Debt repayment	<b>6.79</b>	<b>7.99</b>	<b>7.9</b>	<b>0.11</b>	<b>98.87</b>	<b>116.35</b>
Expenditures for the purchase of securities	0.00	0.00	0.00	0.00		
Borrowings and loans	0.00	0.00	0.00	0.00		
Borrowings and loans from domestic sources	1.40	2.00	0.49	0.01	24.50	35.00
Borrowings and loans from foreign sources	1.27	1.40	0.63	0.01	45.00	49.61
Revenues from privatisation and sale of property	2.03	4.00	3.38	0.05	84.50	166.50
Revenues from loan repayment	0.13	0.58	0.1	0.00	<b>17.24</b>	<b>76.92</b>
Increase/decrease in deposits	-9.13	-6.00	-18.49	-0.25	308.17	202.52
NOTE: Montenegrin GDP in million euros, estimation				<b>7,279.70</b>		

Source: Ministry of Finance

## 5.4. State funds

According to data from the *Pension and Disability Insurance Fund of Montenegro*, during the first half of 2024, total revenues amounted to 357.48 million euros, which is 31.58% more than in the first half of the previous year. Current revenues of the Fund accounted for 68.60% of the total receipts and increased by 7.52% compared to the same period of the previous year. Contributions for pensions (the main source of funding for the Fund) accounted for 68.28% of total revenues and they rose 7.39% on the annual basis due to the growth in employment and the base for the calculation of contributions. At the same time, transfers from the budget, which accounted for 31.40% of total revenues, increased 257.44% relative to the comparative period of 2023 and they amounted to 112.25 million euros.

Total expenditures of the Fund amounted to 357.48 million euros, which is at the planned level, while at the annual level they recorded an increase of 31.58%. Expenditures for pensions, accounting for 99.45% of total expenditures, represented the most significant expenditure item, while 0.55% was administrative expenses. Pension expenditures were 35.04% higher than in the same period last year, due to an increase in pensions based on the increase in the minimum pension, regular adjustment of pensions, as well as an increase in the number of pensioners.<sup>54</sup>

Based on realized revenues and expenditures in the first half of 2024, this Fund had a balanced budget.

According to the *Health Insurance Fund of Montenegro*, total revenues amounted to 184.73 million euros, which is 12.98% lower relative to the plan and 21.08% more than in the corresponding period of 2023.

Total expenditures of the *Health Insurance Fund* amounted to 184.73 million euros; therefore, the Fund ran a balanced budget in H1 2024. The main share in total expenditures referred to transfers to institutions, individuals, non-government and public sectors (95.27 million euros) and current expenditures transfers in the amount of 75.05 million euros. Some 13.91 million euros were spent on social protection transfers and 0.50 million euros on capital expenditures and debt repayment.

Fund's outstanding liabilities as at 30 June 2024 amounted to 16.99 million euros, the largest part of which related to transfers to institutions, individuals and loans (10.07 million euros), while liabilities for social protection transfers amounted to 6.88 million euros, and the remaining part of outstanding liabilities (0.04 million euros) referred to liabilities for current expenditures.

According to *Employment Agency of Montenegro* (EAM) data, total revenues amounted to 27.21 million euros in H1 2024, or 8.29% more than in H1 2023.

Expenditures of the Agency amounted to 27.21 million euros, and they were 1.28% lower than planned and 8.29% higher than in the same period of the last year. In total expenditures, 63.07% referred to current expenditures, while 35.05% referred to social welfare transfers, 1.76% were transfers to individuals, institutions, non-government and public sectors and 0.12% referred to other liabilities and capital expenditures.

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<sup>54</sup> The increase in the number of pensioners was affected by the transition of beneficiaries of compensations for mothers of three or more children from compensations to pensions as their acquired right, as well as the retirement of a number of the employees in the Ministry of Internal Affairs, due to more favourable retirement conditions defined by the Law Amending the Law on Internal Affairs from 2023.

The Agency's outstanding liabilities at the end of June amounted to 2.36 million euros, primarily due to liabilities for transfers to institutions, individuals, non-government and public sector.

Based on realized revenues and expenditures in the first half of 2024, this Fund had a balanced budget.

The *Labour Fund*, being a typical budget beneficiary financed from general and earmarked revenues, recorded revenues in the amount of 142,327.01 euros and the equal amount of total expenditures, which is 51.84% less than planned and 19.55% less than in the comparative period in 2023.

Expenditures referring to current expenditures represented the most important expenditure item (101,464.46 euros).

Fund's outstanding liabilities as at 30 June 2024, they amounted to 26,081.25 euros, primarily due to obligations based on social protection transfers.

Based on the realized revenues and expenditures in the first six months of 2024, this Fund ran a balanced budget.

The *Compensation Fund* recorded total revenues in the amount of 91,679.97 million euros, which is 13.07% less than planned for the reporting six-month period and 23.63% less year-on-year.

Tax revenues amounted to 88,795 million euros, recording a 15.81% decrease relative to the plan and a year-on-year decrease of 23.26%.

At the end of June 2024, outstanding liabilities of the Fund amounted to 2,884.97 euros, same as recorded surplus.



# GOVERNMENT DEBT

06



According to Ministry of Finance preliminary data, *gross government debt of Montenegro*<sup>55</sup> amounted to 4,478.03 million euros or 61.51% of estimated GDP at end-June 2024 (table 6.1), and compared to the end of the previous year it increased by 10.30%, due to the growth of external debt, based on the issue of Eurobonds.

Public debt structure reveals that the external debt accounted for 4,091.33 million euros (91.36%), while the domestic debt accounted for 386.70 million euros (8.64%).

When we excluded deposits of the Ministry of Finance along with 38,477 ounces of gold, the *net government debt* of Montenegro would amount to 3,844.47 million euros or 52.81% of the estimated GDP. Compared to end-2022, the net government debt decreased by 1.61%.

**Table 6.1**

Structure of the government debt of Montenegro on quarterly level, in million euros						
	June 2023	September 2023	December 2023	March 2024	June 2024	Change in % (June 2024 Dec 2023)
Domestic debt	411.07	393.14	542.62	511.29	386.70	-28.73%
External debt	3,613.40	3,593.62	3,517.29	4,156.66	4,091.33	16.32%
Government debt (gross)	4,024.47	3,986.76	4,059.91	4,667.95	4,478.03	10.30%
Share of gross government debt in GDP	57.79	57.25	58.30	64.12	61.51	
Deposits of the Ministry of Finance, including 38,477 ounces of gold	273.22	237.33	152.41	774.24	633.56	315.69%
Government debt (net)	3,751.25	3,749.43	3,907.50	3,893.71	3,844.47	-1.61%
Share of net government debt in GDP	53.87	53.84	56.11	53.49	52.81	
NOTE: Montenegro's GDP (assessment for 2023)	6,963.62	6,963.62	6,963.62	7,279.70	7,279.70	

Source: Ministry of Finance

The currency structure of the government debt is still relatively favourable. Thus, debt in euros accounted for 98.80% of the total currency structure of the government debt, while 0.93% of the debt was in special drawing rights, and 0.27% in US dollars.

The interest rate structure is favourable considering that more than three quarters of the government debt (loans and bonds) are serviced at fixed interest rates (83.98% of the debt).

<sup>55</sup> Pursuant to the 2014 Law on Budget and Fiscal Responsibility, quarterly reports disclose the government debt and the annual reports contain the information on the public debt. The Law defines the public debt as a debt of the Central Government (government debt) and debt of the local self-government. Government debt includes central government debt and debt of the majority state companies, meaning that it no longer includes local self-governments' debts as in the period prior to the adoption of this Law.

## 6.1. Domestic government debt

At end-June 2024, domestic debt amounted to 386.70 million euros (5.31% of GDP), being 155.92 million euros or 28.73% lower y-o-y. Repayment of issued domestic bonds is the main reason for the reduction in debt to residents in this period (table 6.2).

**Table 6.2**

Domestic debt structure	Structure and changes of the domestic debt of Montenegro at end-June 2024 compared to the end-June and December 2023							
	Debt balance 30 06 2023	Debt balance 31 12 2023	Debt balance 30 06 2024	Change in relation to 30 June 2023	Change in relation to 31 December 2023	Change in relation to 30 June 2023	Change in relation to 31 December 2023	Share in domestic debt 30 06 2024
	1	2	3	4 (3-1)	5 (3-2)	6 (3/1)	7 (3/2)	8
million euros								%
Foreign currency deposits	10.17	10.11	10.11	-0.06	0.00	-0.59	0.00	2.61
Restitution	83.07	74.58	83.23	0.16	8.65	0.19	11.60	21.52
Loans with commercial banks	138.88	229.76	200.55	61.67	-29.21	44.41	-12.71	51.86
Accrued pensions	1.89	1.89	1.89	0.00	0.00	0.00	0.00	0.49
Treasury bills	00.00	50.00	10.00	10.00	-40.00		-80.00	2.59
Domestic bonds	142.44	142.44	50.00	-92.44	-92.44	-64.90	-64.90	12.93
Legal persons and companies	34.62	33.84	30.92	-3.70	-2.92	-10.69	-8.63	8.00
<b>TOTAL</b>	<b>411.07</b>	<b>542.62</b>	<b>386.70</b>	<b>-24.37</b>	<b>-155.92</b>	<b>-5.93</b>	<b>-28.73</b>	<b>100.00</b>

Source: Ministry of Finance

In the structure of domestic debt as at end-June, the main share was of loans payables to commercial banks (51.86%), followed by liabilities rising from restitution (21.52%) as well as liabilities from issued domestic bonds (12.93%). The remaining 13.69% were liabilities to legal persons and companies (8.00%), liabilities for frozen foreign currency deposits (2.61%), liabilities based on issued treasury bills (2.59%) and liabilities based on accrued pensions (0.49%).

## 6.2. External government debt

According to Ministry of Finance data, external debt of Montenegro amounted to 4,091.33 million euros or 56.20% of GDP and compared to the end of the previous year it recorded an increase of 574.04 million euros or 16.32%, due to borrowing through the issue of government bonds on the London Stock Exchange in the amount of 687.76 million euros.

In H1 2024, there were the following withdrawals of funds arising from loan arrangements with international institutions, in the total amount of 19.97 million euros:

- Withdrawals of KfW funds in the amount 7.72 million euros (for the projects “Water supply and waste water treatment - Pg Promo and Phase V, component 2”, and “Energy efficiency program in public buildings - phase III”);
- Withdrawal of IBRD funds in the amount of 7.98 million euros (for the projects “Industrial Waste Management”, “Revenue Administration Reform Project”, “Institutional Development and Strengthening of Agriculture in Montenegro - MIDAS 2”, “Energy Efficiency in Monte-

negro - MEEP 2" and "Integrated Development of the Sava and Drina River Corridors Using a Multi-Phase Program Approach"),

- Withdrawing of EBRD funds in the amount of 1.29 million euros (for the purposes of local roads reconstruction) and
- Withdrawing of funds from Hapoalim Bank in the amount of 2.98 million euros (for equipping armoured vehicles);

The structure of external debt shows that the highest share belongs to liabilities arising from issued Eurobonds of 59.58%, while the Chinese Exim Bank stands as the largest individual creditor with a share in the external debt of 16.22% (table 6.3).

**Table 6.3**

Creditor	Debt balance million euros	External debt GDP	Share in external debt %	Share in government debt (4,478.03 million euros)
				%
EUROBONDS	2,437.76	33.49	59.58	54.44
Chinese EXIM Bank <sup>1</sup>	663.75	9.12	16.22	14.82
International Bank for Reconstruction and Development (IBRD)	177.45	2.44	4.34	3.96
Syndicated loans – PBG 2	172.73	2.37	4.22	3.86
Syndicated loan - PBG <sup>2</sup>	128.57	1.77	3.14	2.87
European Investment Bank <sup>3</sup>	95.71	1.31	2.34	2.14
Deutsche Bank	80.00	1.10	1.96	1.79
Council of Europe Development Bank	71.10	0.98	1.74	1.59
EBRD	60.50	0.83	1.48	1.35
European Commission <sup>4</sup>	60.00	0.82	1.47	1.34
Member countries of the Paris Club of creditors	40.11	0.55	0.98	0.90
Kreditanstalt für Wiederaufbau – Germany (KFW) <sup>5</sup>	38.64	0.53	0.94	0.86
Rapid Financing Instrument - IMF	37.17	0.51	0.91	0.83
HAPOALIM - armoured vehicles	17.91	0.25	0.44	0.40
International Development Association (IDA)	4.55	0.06	0.11	0.10
IFAD	2.67	0.04	0.07	0.06
Loan from Poland <sup>6</sup>	1.71	0.02	0.04	0.04
Export Development Canada (EDC) <sup>7</sup>	0.55	0.01	0.01	0.01
Loan from Spain for the construction of landfill	0.45	0.01	0.01	0.01
Loan from Hungary <sup>8</sup>	0.00	0.00	0.00	0.00
Loan from France - Natixis <sup>9</sup>	0.00	0.00	0.00	0.00
<b>TOTAL</b>	<b>4,091.33</b>	<b>56.20</b>	<b>100.00</b>	<b>91.36</b>

<sup>1</sup> Loan for construction of a Bar-Boljare highway section

<sup>2</sup> Loan arrangement with the Trade Union of banks (OTP, Credit Suisse, CKB and Societe Generale) with the World Bank guarantee with the value of 80 million euros for the needs of state budget financing.

<sup>3</sup> EIB loans amounting to 47 million euros in total serviced by public enterprises ("Monteput", "Airports of Montenegro" and "EPCG") are not calculated in the external debt but treated as guarantees.

<sup>4</sup> Loan for limiting the economic consequences of the COVID-19 pandemic under the Macro-Financial Support Program, totalling 60 million euros.

<sup>5</sup> Loans from KfW for the needs of water supplies are used by municipalities, but they are considered a part of external debt.

<sup>6</sup> Loan agreement signed with the Government of Poland for the needs of the Railway Infrastructure of Montenegro

<sup>7</sup> Credit for the purchase of three helicopters.

<sup>8</sup> Loan with Hungarian Export Import bank for the construction of school and preschool facilities.

<sup>9</sup> Merchandise loan - EPCG

Source: Ministry of Finance

For individual contracted credit lines, there are funds that have not yet been withdrawn (table 6.4). Total amount of available and unwithdrawn funds amounted to 276.95 million euros, whereby the largest share refers to the funds of the European Investment Bank (96.70 million euros), the German Reconstruction Credit Institute (Kreditanstalt für Wiederaufbau - KfW) (84.47 million euros and International Bank for Reconstruction and Development - IBRD (52.80 million euros).

**Table 6.4**

Structure of external debt of Montenegro and non-withdrawn funds in million euros		
Creditor	Debt balance at end-June 2024	Amount of non-withdrawn funds <sup>56</sup>
million euros		
EUROBONDS	2,437.76	
Chinese EXIM Bank	663.75	
International Bank for Reconstruction and Development (IBRD)	177.45	52.80
Syndicated loans – PBG 2	172.73	
Syndicated loan - PBG	128.57	
European Investment Bank (EIB)	95.71	96.70
Deutsche Bank	80.00	
Council of Europe Development Bank	71.10	8.50
EBRD	60.50	14.23
European Commission	60.00	
Member countries of the Paris Club of creditors	40.11	
Kreditanstalt für Wiederaufbau – Germany (KfW)	38.64	84.47
Rapid Financing Instrument - IMF	37.17	
HAPOALIM - armoured vehicles	17.91	20.25
International Development Association (IDA)	4.55	
IFAD	2.67	
Loan from Poland	1.71	
Export Development Canada (EDC)	0.55	
Loan from Spain for the construction of landfill	0.45	
Loan from Hungary	0.00	
Loan from France - Natixis	0.00	
<b>TOTAL</b>	<b>4,091.33</b>	<b>276.95</b>

Source: Ministry of Finance

<sup>56</sup> The debt balance shows the amount of withdrawn but unpaid funds for an individual creditor, based on all active credit lines, while the amount of unwithdrawn funds represents that portion of all credit lines with a specific creditor that has not been withdrawn, and therefore is not part of the debt. A situation may arise where the amount of the debt balance is higher than the unwithdrawn funds from a given creditor, depending on the stage at which the loan arrangement is determined and how many funds remain unwithdrawn, and that there was another credit line with the same creditor in the previous period whose funds were completely withdrawn. Liabilities are those listed in a table that shows the debt balance at the end of the period.

### 6.3. Issued government's guarantees

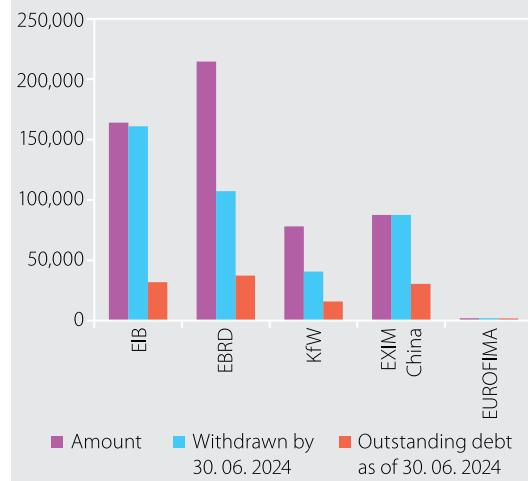
At the end-June 2024, government guarantees amounted to 136.01 million euros and they were 9.46% lower compared to the end of the previous year and accounted for 1.87% in the GDP structure, which represents a decrease of 0.33 pp relative to end-2023. With the inclusion of issued government guarantees, Montenegro's public debt would amount to 4,614.04 million euros or 63.38% of GDP.

Foreign guarantees amounted to 117.34 million euros (graph 6.1), they were 9.01% lower, and they accounted for 1.61% in the GDP structure, which represents a decrease of 0.27 pp relative to the end of the previous year. If foreign guarantees were to be included into the external debt, the external debt of Montenegro would amount to 57.81% of GDP. It is important to point out that the aforementioned amount of issued foreign guarantees refers only to withdrawn credit funds, while the debt balance shown in graph 6.1 refers to the outstanding withdrawn credit funds for which foreign guarantees were issued. Considering the total underwritten loan amount, foreign guarantees reached the amount of 546.17 million euros or 7.50% of GDP.

The total amount of domestic guarantees at the end of June 2024 amounted to 18.68 million euros (0.26% of GDP), while the internal debt together with guarantees amounted to 5.57% of GDP. In the total amount of domestic guarantees, 10.53 million euros referred to the guarantees issued to municipalities for loans with domestic commercial banks for the implementation of their recovery plans<sup>57</sup>. The remaining number of domestic guarantees refers to: a loan from Crnogorska Komercijalna Bank and Prva Bank for the construction of a residential building for teachers in Budva, a loan from Erste Bank and Prva Bank for the purpose of settling liabilities to the company "Strabag AG," from Erste Bank for the purpose of refinancing a loan from the Abu Dhabi Fund for Development and loan from the CKB Bank for vehicle repairs.

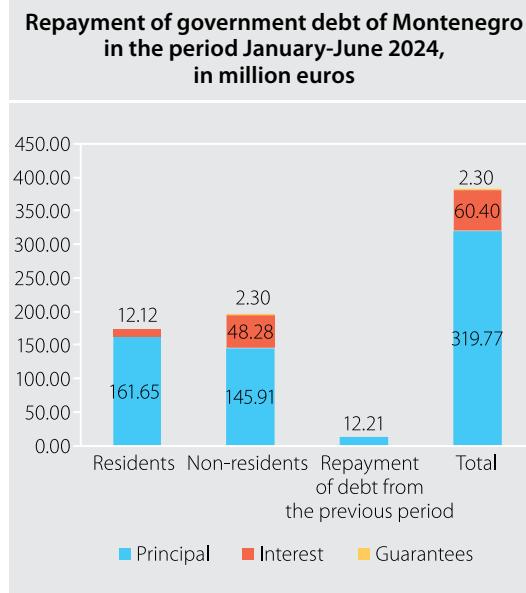
Graph 6.1

Foreign guarantees issued at end-June 2024, in thousand euros



Source: Ministry of Finance

<sup>57</sup> Total underwritten amount of guarantees for loans used by municipalities for the resolution plan implementation is 34.55 million euros.

**Graph 6.2**

Source: Ministry of Finance

## 6.4 Government debt repayment

According to preliminary data from the Ministry of Finance, the total government debt<sup>58</sup> repayment in H1 2024 amounted to 382.47 million euros or 5.25% of the estimated GDP. In total amount of debt repayment, the main share referred to the repayment of principal of debt to residents and non-residents in the amount of 307.56 million euros and the repayment of interest arising from loan arrangements to residents and non-residents in the amount of 60.40 million euros (graph 6.2). The repayment of liabilities from the previous period amounted to 12.21 million euros, while the repayment of guarantees amounted to 2.30 million euros.

<sup>58</sup> Total debt repayment includes the repayment of debt arising from principal, interest and guarantees repayment due in the reporting year, as well as the repayment of debt from previous years.

# EXTERNAL SECTOR

07



## 7.1 Balance of payments

The current account deficit in the first half of 2024 was 858.38 million euros and increased by 55.23% compared to the same period of the previous year (with which all comparisons in this part of the report were made). The key cause of the recorded trend is the growth in visible imports, which is accompanied by a decline in visible exports, and the consequent increase in the foreign trade deficit. Current account deficit growth was to a certain extent a result of a decrease in the surplus on the services accounts and primary and secondary income account. The financial account recorded an increase in net capital inflow as a result of a minor net outflows realized in the portfolio investment account, while in the comparative period a net outflow was recorded. Financial account recorded also a decline of net FDI inflow.

The deficit on the goods account amounted to 1,571.42 million euros and it was 15.06% higher compared to the previous year. Visible imports amounted to 1,876.89 million euros and was 103.41 million euros or 5.83% higher than in the comparative period, mainly due to the increase in the imports of road vehicles. At the same time, the total visible exports amounted to 305.47 million euros and it declined 102.22 million euros or 25.07% year-over-year, mostly as a result of electricity and coloured metals export decrease. Negative trends in the energy sector mainly result from the high comparative base in the comparison period, which, in terms of electricity exports, was a record.

The services account recorded a surplus of 488.17 million euros, or 5.96% less compared to the same period last year, primarily as a result of a decrease in revenues from travel and tourism services, despite the growth in revenues from transport and construction services. Services account saw a decline in revenues as well as in expenditures (6.82% and 7.67%, respectively), which resulted in the total volume of service trade of 1,467.33 million euros, which is 7.11% less year-over-year.

In the primary and secondary income accounts there was a surplus in the amount of 224.87 million euros, which represents a decrease of 23.43% at the annual level. The primary income account recorded a surplus of 9.11 million euros, or 58.10 million euros less year-on-year. This outcome is the result of an increase in expenditures from international investments by 65.32%, which amounted to 170.03 million euros, mostly due to paid dividends. The secondary income account recorded a surplus of 215.76 million euros, which is 4.73% less than in the comparable period, and represents the result of a decrease in inflows from the country's current international cooperation and an increase in expenditures from personal transfers and other current transfers. Inflow from remittances amounted to 409.92 million euros (an increase of 3.03%).

The financial income account saw a net FDI inflow of 245.39 million euros (4.69% less than in the comparative period). Recorded decline resulted from the decrease in inflows from real estate, which fell by 22.81 million euros or 10.24%, as well as the decline due to the withdrawal of investments from abroad (a decline of 22.79 million euros or 79.08%). Based on portfolio investments, a net inflow of 585.03 million euros was recorded in the observed period, which is the result of the inflow based from the issue of government bonds on the international capital market. The other investments account registered a net outflow in the amount of 188.25 million euros which is 29.16% or 44.14 million euros lower y-o-y.

**Table 7.1**

Balance of Payments of Montenegro, in thousand euros <sup>59</sup>				
No.	Item	January– June 2023	January– June 2024	Change in %
1	A. CURRENT ACCOUNT	-552,976.10	-858,379.25	55.23
1.A	GOODS AND SERVICES BALANCE	-846,666.16	-1,083,249.12	27.94
1.A.a	Goods	-1,365,795.28	-1,571,423.33	15.06
1.A.a.1	Exports f.o.b.	407,684.97	305,466.15	-25.07
1.A.a.2	Imports f.o.b.	1,773,480.25	1,876,889.48	5.83
1.A.b	Services	519,129.12	488,174.21	-5.96
1.A.b.1	Revenues	1,049,367.57	977,750.16	-6.82
1.A.b.2	Expenditures	530,238.45	489,575.95	-7.67
1.B	Primary income	67,214.47	9,109.78	-86.45
1.B.1	Revenues	201,907.93	229,570.12	13.70
1.B.2	Expenditures	134,693.46	220,460.34	63.68
1.C	Secondary income	226,475.59	215,760.09	-4.73
1.C.1	Revenues	282,188.95	274,915.38	-2.58
1.C.2	Expenditures	55,713.36	59,155.29	6.18
2	CAPITAL ACCOUNT	-13.54	-10.31	-23.85
2.A	Revenues	0.00	0.00	
2.B	Expenditures	13.54	10.31	-23.85
	CURRENT AND CAPITAL ACCOUNT BALANCE	-552,989.64	-858,389.56	55.23
3	FINANCIAL ACCOUNT, net	-147,655.32	-494,805.35	235.11
3.A	Financial assets net increase	61,951.41	365,056.57	489.26
3.B	Liabilities net increase	209,606.73	859,861.92	310.23
3.1	Direct investments, net	-257,468.45	-245,392.75	-4.69
3.1.1.	Financial assets net increase	10,852.65	36,231.85	233.85
3.1.2.	Liabilities net increase	268,321.10	281,624.60	4.96
3.2	Portfolio investments, net	205,006.68	-585,031.56	
3.2.1.	Financial assets net increase	212,499.56	84,658.38	-60.16
3.2.2.	Liabilities net increase	7,492.88	669,689.94	8,837.68
3.3	Financial derivatives, net	-66,235.20	-10,202.36	-84.60
3.3.1.	Financial assets net increase	-66,191.04	-3,541.12	-94.65
3.3.2.	Liabilities net increase	44.16	6,661.24	14,984.33
3.4	Other investments, net	265,731.96	188,245.17	-29.16
3.4.1.	Financial assets net increase	199,480.55	90,131.31	-54.82
3.4.2.	Liabilities net increase	-66,251.41	-98,113.86	48.09
3.5	CBCG reserves (changes)	-294,690.31	157,576.15	
4	NET ERRORS AND OMISSIONS (3-2-1)	405,334.32	363,584.21	-10.30

Source: CBCG

<sup>59</sup> Montenegro's balance of payments' data published in accordance with the new IMF methodology (IMF Balance of Payment and International Investment Position Manual, sixth edition - BMP 6), 2009

## 7.1.1. Current and capital accounts

In H1 2024, a deficit on the current and capital account of Montenegro amounted to 858.39 million euros and this is the result of a deficit on the goods account, while a surplus was recorded on all other accounts (graph 7.1). The foreign trade deficit amounted to 1,571.42 million euros, while the deficit in the visible and invisible trade amounted to 1,083.25 million euros and increased by 236.58 million euros year-on-year, as a result of a larger deficit on the goods account (by 205.63 million euros) and surplus decline on the services account (by 30.95 million euros). The degree of coverage of import by visible and invisible exports was 54.23%, which represents a decline of 9.02 pp y-o-y.

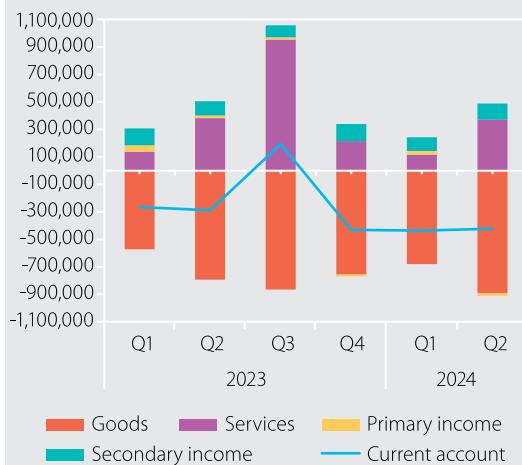
As for the service account, the realized surplus amounted to 488.17 million euros or 5.96% less year-on-year, which is largely the result of lower revenues from travel - tourism services. A surplus of 224.87 million euros was realized on the primary and secondary income accounts (a decrease of 68.82 million euros or 23.43%).

### 7.1.1.1. Visible trade<sup>60</sup>

In the period January - June 2024, according to MONSTAT data, total foreign trade was at approximately the same level as the previous year (an increase of 0.61%) due to the growth in imports (by 106.80 million euros or 5.85%), as well as the simultaneous decline in exports (by 93.37 million euros or 24.49%). In the observed period, there was a decrease in the coverage of imports by exports of goods to 14.90%, which represents a decrease of 5.99 percentage points compared to the coverage recorded in the comparable period of the previous year (graph 7.2).

Graph 7.1

#### Quarterly structure of the current account of Montenegro in thousand euros



Source: CBCG

Graph 7.2

#### Coverage of visible imports by visible exports in the Montenegrin balance of payments in the period January - June 2005 - 2024, in %



Source: MONSTAT and CBCG calculations

<sup>60</sup> Methodological remarks: Data on foreign trade and balance of payment of Montenegro are shown according to the special trade system. The CBCG performs adjustments of data received from MONSTAT for the purposes of compiling the balance of payments in line with the IMF methodology (*Balance of Payments and International Investment Position Manual, Sixth Edition*, IMF, 2009). Data on visible imports and exports are presented per f.o.b. The adjustments made by the CBCG are the reason for the difference in the data presented in Table 7.1 and the data analysed in this chapter.

Total visible exports, according to the MONSTAT data, amounted to 287.93 million euros and it declined by 24.49% year-over-year. Observed according to the categories of SITC<sup>61</sup> (table 7.2), the decline of the total exports was mostly affected by the growth of the category *mineral fuels and lubricants*, whose export amounted to 61.93 million euros, and was 120.95 million euros or 66.14% lower compared to the same period of the previous year. The recorded trend is the result of an increase in exports in the subcategory *electricity*, where the value of exported goods amounted to 50.03 million euros, which represents a decrease of 121.76 million euros or 70.88% y-o-y. Recorded decline in electricity exports is partly a result of comparison with the record base year.

Despite the recorded decline, the category of *mineral fuels and lubricants exported the most products*, which accounted for 21.51% of total exports (26.45 pp less than the share in the comparable period). In the structure of exports, the most exported products were *machines and transport equipment*, whose export amounted to 56.88 million euros (19.75% of total exports), which represents an increase of 31.88 million euros.<sup>62</sup> A significant share in exports (17.53%) is also made up of the category of *raw materials, except fuels*, which was exported in the amount of 50.46 million euros or 13.60 million more than in the comparable period, which increased the share of this category in total exports by 7.86 pp. In this category, the most represented are *metalliferous ores and metal scrap* whose exports amounted to 30.94 million euros (a growth of 93.78%), and *cork and wood* with exports of 17.25 million euros (fall of 3.13%).

**Table 7.2**

Structure of visible exports from Montenegro, in thousand euros						
	January - June 2023 (in thousand euros)	January - June 2024 (in thousand euros)	Share		Change	Nominal difference
	January - June 2023 (in thousand euros)	January - June 2024 (in thousand euros)	January - June 2023 (%)	January - June 2024 (%)	January - June 2023 (%)	January - June 2024 (in thousand euros)
0 Food and live animals	18,530.56	20,876.56	4.86%	7.25%	12.66%	2,346.00
1 Beverages and tobacco	12,967.90	16,434.59	3.40%	5.71%	26.73%	3,466.69
2 Raw materials, except fuels	36,859.33	50,461.92	9.67%	17.53%	36.90%	13,602.59
3 Mineral fuels and lubricants	182,873.60	61,925.88	47.96%	21.51%	-66.14%	-120,947.72
4 Animal and vegetable oils and fats	771.77	892.53	0.20%	0.31%	15.65%	120.76
5 Chemical products	24,427.07	29,049.14	6.41%	10.09%	18.92%	4,622.07
6 Products classified by materials	57,512.78	32,433.13	15.08%	11.26%	-43.61%	-25,079.65
7 Machinery and transport equipment	24,995.36	56,875.57	6.56%	19.75%	127.54%	31,880.21
8 Miscellaneous manufactured articles	16,161.19	18,977.43	4.24%	6.59%	17.43%	2,816.24
9 Products and transactions, otherwise not mentioned	6,200.00	0.03	1.62%	0.00%	-9999.95%	-6,199.97
TOTAL:	381,299.56	287,926.78	100.00%	100.00%	-24.49%	-93,372.77

Source: MONSTAT and CBCG calculations

Total visible imports, according to the SITC, amounted to 1,932.05 million euros and it rose 5.85% year-over-year. The increase in imports in relation to the previous year, viewed by the SITC categories, was mostly affected by the growth of imports of *machinery and transport equipment* (493.07 million euros) of 55.48 million euros or 12.68% (table 7.3). This is largely the result of an increase in imports of the

<sup>61</sup> Standard International Trade Classification

<sup>62</sup> The largest part of exports in the category of machinery and transport equipment relates to temporary exports for the purposes of outward processing.

subcategory *road vehicles* (191.97 million euros) higher by 33.80 million euros or 21.37 % more than in the comparative period. The additional growth of imports in this category was also affected by the *telecommunication equipment and devices* with the import of 81.42 million euros (a growth of 5.60 million euros or 7.39%).

In the structure of imports according to SITC, the most imported products were from the category *machinery and transport equipment* whose import accounted for 25.52% of total imports (1.55 pp more than a year ago). This is followed by products in the *food and livestock* category (18.40%), which were imported in the amount of 355.40 million euros that represents an annual growth of 8.41 million euros or 2.42%. With the respective shares of 78.36 million euros and 56.87 million euros, *meat and meat preparations and vegetables and fruits* were the most significant sub-categories within the imports of *food and livestock*. Another category that had a significant share in imports was *products classified by materials* with 299.75 million euros or 15.51%. The recorded value of imported products in the sub-category *non-metal mineral products* increased 0.93% and reached 82.02 million euros, while in the subcategory *manufactures of metals* the import amounted to 74.62 million euros, which represents an increase of 2.79% year-over-year.

**Table 7.3**

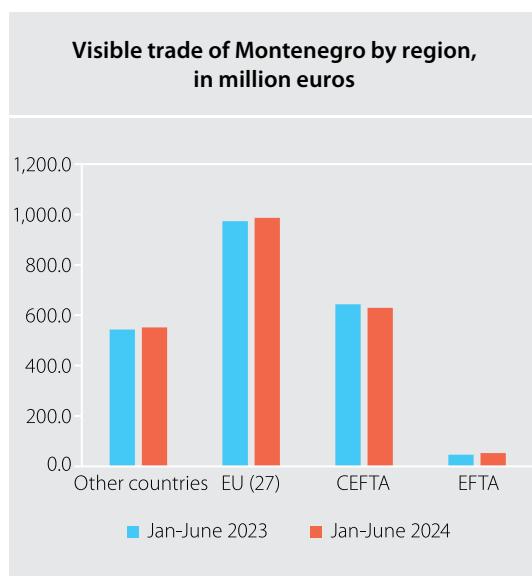
Visible imports structure in Montenegro, in thousand euros						
			Share		Change	Nominal difference
	January - June 2023 (in thousand euros)	January - June 2024 (in thousand euros)	January - June 2023 (%)	January - June 2024 (%)	January - June 2023 (%)	January - June 2024 (in thousand euros)
0	Food and live animals	346,993.14	355,404.94	19.01%	18.40%	2.42%
1	Beverages and tobacco	69,988.07	72,900.12	3.83%	3.77%	4.16%
2	Raw materials, except fuels	17,758.54	18,021.62	0.97%	0.93%	1.48%
3	Mineral fuels and lubricants	157,057.53	185,718.08	8.60%	9.61%	18.25%
4	Animal and vegetable oils and fats	8,704.41	9,531.98	0.48%	0.49%	9.51%
5	Chemical products	212,819.48	233,238.70	11.66%	12.07%	9.59%
6	Products classified by materials	313,830.04	299,746.53	17.19%	15.51%	-4.49%
7	Machinery and transport equipment	437,588.07	493,070.28	23.97%	25.52%	12.68%
8	Miscellaneous manufactured articles	256,717.89	261,674.99	14.07%	13.54%	1.93%
9	Products and transactions, otherwise not mentioned	3,788.61	2,741.67	0.22%	0.14%	-27.63%
TOTAL:		1,825,245.78	1,932,048.91	100.00%	100.00%	5.85%
						106,803.15

Source: MONSTAT and CBCG calculations

Regarding regional structure of exports, in the observed period, the main foreign trade partners of Montenegro were the CEFTA<sup>63</sup> countries, to which 46.38% of goods were exported, followed by the EU member states with a share of 33.47% (within these countries, electricity is exported the most), and the EFTA<sup>64</sup> countries (5.87%), while other countries accounted for 14.28% of total exports.

<sup>63</sup> The Central European Free Trade Agreement (CEFTA) is a trade agreement between Albania, Bosnia and Herzegovina, the Republic of North Macedonia, Moldova, Serbia, the Republic of Kosovo and Montenegro.

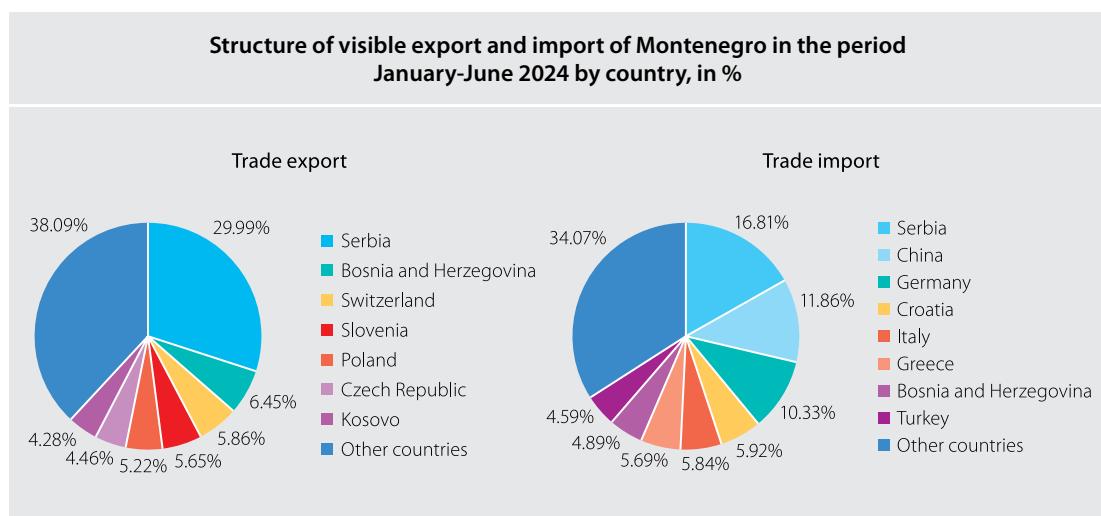
<sup>64</sup> The EFTA is international governmental organization consisting of Iceland, Liechtenstein, Norway and Switzerland.

**Graph 7.3**

Source: MONSTAT

Most goods were imported from the EU (46.10%), then CEFTA and EFTA countries (25.67% and 1.83%, respectively) while 26.40% of goods were imported from other countries (graph 7.3). If the structure of imports from individual regions is observed by types of goods, the EU countries mostly import oil and oil derivatives, as well as road vehicles, while water, cement, bread and electricity are mostly imported from CEFTA countries.

In consideration of individual countries, the biggest export Montenegro's partners were Serbia (86.35 million euros), Bosnia and Herzegovina (18.56 million euros) and Switzerland (16.88 million euros). In terms of imports, Serbia is in first place (324.81 million euros), followed by China (229.14 million euros) and Germany (199.54 million euros) (graph 7.4).

**Graph 7.4**

Source: MONSTAT and CBCG calculations

**7.1.1.2. Services**

In the international invisible trade in the period January – June 2024, a surplus was recorded in the amount of 488.17 million euros, which is 30.95 million euros or 5.96% less relative to the comparable period of the previous year. The decline in the surplus on this account is a consequence of a higher decline in revenues than expenditures, observed in absolute numbers (in percentage terms, revenues are lower by 6.82% and expenditures by 7.67%). The total volume of invisible trade amounted to 1,467.33 million euros, which is 7.11% less y-o-y.

Total revenues from services amounted to 977.75 million euros and they primarily came from travel-tourism (434.60 million euros), transport (278.33 million euros, mostly based on the transmission of electricity, followed by telecommunication, computer and information services (97.67 million euros) and other business services (95.52 million euros) (graph 7.5).

In the observed period, expenditures for services amounted to 489.58 million euros and were 7.67% lower year-over-year. In the structure of expenditures, the largest share (52.32%) was recorded by expenditures for transport in the amount of 256.17 million euros, followed by expenditures for other business services (18.61%) which amounted to 91.11 million euros (graph 7.6). Within these services, most of the expenditures were for professional and consulting services (56.10 million euros) and technical, trade and other business services (30.63 million euros).

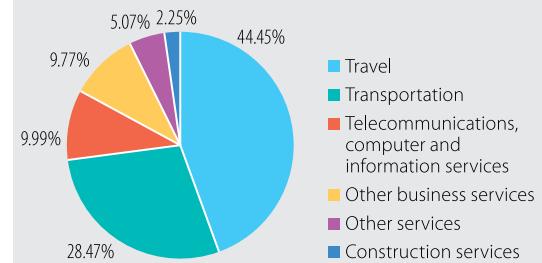
Transport services account recorded a surplus of 22.16 million euros in the observed period, which is an increase of 11.65 million euros or 110.93% year-on-year, due to an increase in the surplus based on the exchange of services in maritime transport, as well as the surplus on the sub-account of transport services related to electricity transmission.

When all types of transport are considered, the largest exchange of services was recorded in freight transport, namely 180.15 million euros in exports and 183.67 million euros in imports, predominantly due to pipeline transport services and electricity transmission. The flows recorded on this basis represent approximately half of total revenues and expenditures from transport services, 48.49% and 45.23%, respectively. During the first two quarters of 2024, Montenegro earned 134.97 million euros from pipeline transport and electricity transmission services (a decrease of 37.78%), but also paid 115.86 million euros for the same services (a decrease of 44.57%).

Total transport expenditure amounted to 278.33 million euros or 19.49% less year-over-year. In the structure of revenues from transport services, road transport accounted for 13.58%, maritime transport 11.82%, air transport 8.78%, and railway transport 2.35%, while the remaining 63.47% referred to other revenues from transport services. Revenues recorded in road and air transport amounted to 37.81 million euros and 24.43 million euros, respectively, and are approximately at the same level as during the comparable period of the previous year (an increase of 0.53% and a decrease of 0.20%, respectively). Revenues recorded in maritime transport amounted to 32.90 million euros, which is 9.78% more than in the comparative period. In railway transport, revenues amounted to 6.55 mil-

**Graph 7.5**

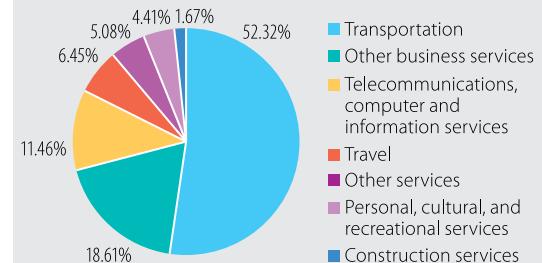
**Structure of revenues from services in the balance of payments of Montenegro in the period January-June 2024, %**



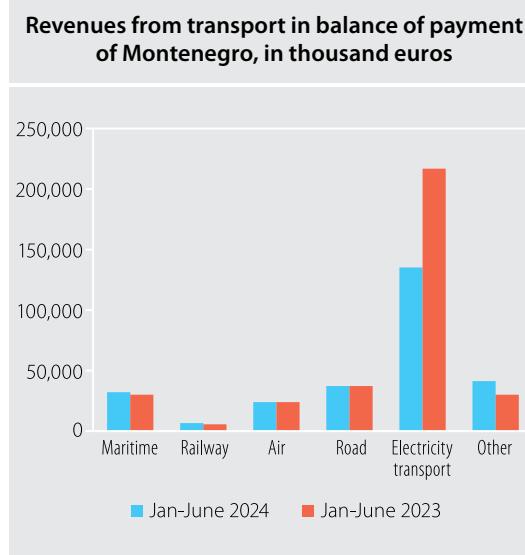
Source: CBCG

**Graph 7.6**

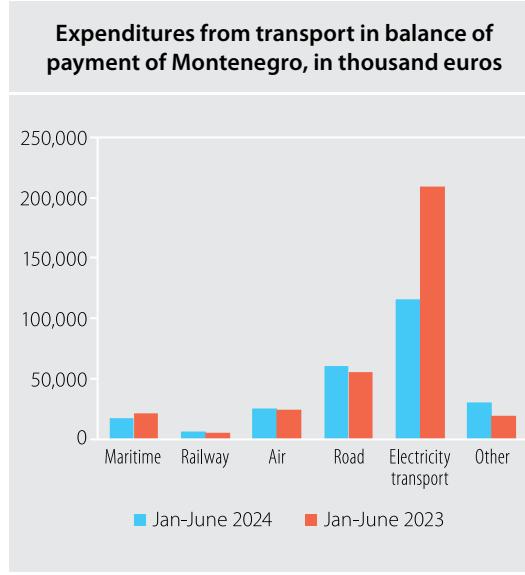
**Structure of expenditures for services in the balance of payments of Montenegro in the period January-June 2024, %**



Source: CBCG

**Graph 7.7**

Source: CBCG

**Graph 7.8**

Source: CBCG

tourists overnight stays during the first half of 2024, but also a comparison with the record year 2023. Expenditures on the same basis amounted to 31.58 million euros (an increase of 7.00%), which resulted in a surplus on this account of 403.01 million euros or 4.75% less year-over-year.

During the period January - June 2024, the construction services account recorded total revenues of 22.01 million euros (an increase of 7.01% year-on-year), while expenditures for hiring non-resident

lion euros and recorded an increase of 12.66%. Expenditures realized on the basis of assistance, support and other transport services amounted to 40.06 million euros (an increase of 43.45%). These revenues mostly relate to the rental of vehicles with crew for a certain period, freight forwarding services, as well as other services related to transport. Postal and courier services, as well as inland water transport, accounted for the remaining 0.59% in total.

Total transport expenditures amounted to 256.17 million euros, which is 79.01 million euros or 23.57% less year-on-year. After the aforementioned expenditures in the field of electricity transport, the largest expenditures were incurred on the basis of road transport and accounted for 23.83% of total expenditures. This is followed by air transport with a 9.99% share, maritime transport with 6.85%, and railway transport with the smallest share in total transport expenditures (2.29%), while expenditures for other transport services accounted for 57.04%. Road transport expenditures amounted to 61.03 million euros (a 10.67% increase), air transport expenditures reached 25.58 million euros (a 3.38% increase), while maritime transport expenditures recorded a decrease of 19.81% and reached 17.55 million euros. Railway transport expenditures amounted to 5.88 million euros and recorded a growth of 17.87%. Expenditures incurred on aid, support and other transport services amounted to 29.09 million euros (an increase of 94.09% or 14.09 million euros), while the remaining 0.47% related to inland water transport and postal and courier services.

In the observed period, the estimated revenues from travel-tourism amounted to 434.60 million euros and are higher by 3.98% relative to the comparative period. The recorded decrease is primarily the result of a lower number of foreign

construction workers amounted to 8.18 million euros (a decrease of 13.36%). This trend in revenues and expenditures based on construction services resulted in a surplus of 13.83 million euros, which is 24.30% more compared to the previous year.

Revenues from other business services amounted to 95.52 million euros, with the main share of 64.37 million euros from the provision of various business, professional and consulting services. Expenditures for other business services amounted to 91.11 million euros and were higher by 30.43%, which is a consequence of an increase in expenditures for technical, trade and other business services, as well as professional and management consulting services (by 66.74% and 22.06%, respectively). Recorded flows on the import side, accompanied by a 4.01% decline in revenues on this basis, resulted in a surplus of 4.41 million euros (a decline of 85.14%).

### 7.1.1.3. Primary income

The primary income account in the period January - June 2024 recorded a surplus of 9.11 million euros, which represents a decrease of 86.45% year-over-year, and is the result of an increase in expenditures from international investments by 65.32%, which amounted to 170.03 million euros.

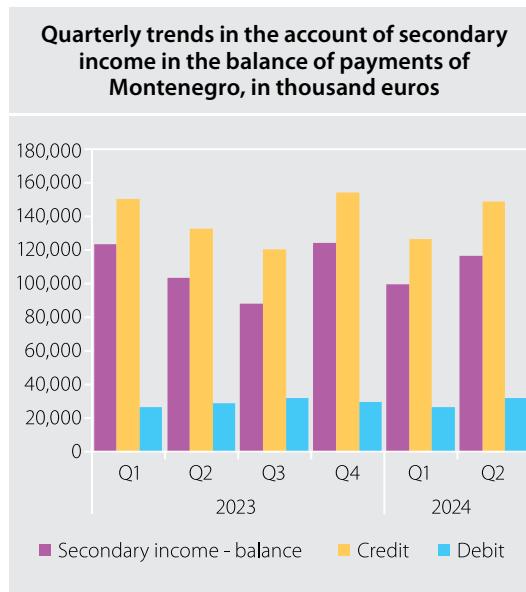
Revenues recorded on the basis of primary income amounted to 229.57 million euros, which represents a growth of 13.70% year-on-year and they predominantly came from employee compensations (80.98%). The inflow from compensations amounted to 185.90 million euros (growth of 5.67%). Revenues from international investment income amounted to 43.67 million euros, with the main share (88.06%) coming from interest in the amount of 38.45 million euros (a 15.23 million euros increase year-over-year). Revenues from dividends accounted for 5.08 million euros (11.63%) and recorded an increase of million euros year-over-year.

Primary income expenditures reached 220.46 million euros (a 63.68% year-on-year increase), and most of them related to expenditures from international investments (170.03 million euros or 77.13%), while 50.43 million euros or 22.87% related to expenditures for employee compensation. Of total expenditures arising from international investments, interest repayment accounted for 97.01 million euros, which is an increase of 26.25%. Expenditures based on paid dividends amounted to 73.01 million euros and were 47.01 million euros or 180.74% higher than in the comparable period due to the decision of one company to pay dividends from accumulated profit.

### 7.1.1.4. Secondary income

During the first half of 2024, the surplus in the secondary income account amounted to 215.76 million euros, which is 4.73% less than in the same period of the previous year. This trend is largely the result of a decrease in inflows from the government sector, or rather, ongoing international cooperation.

The inflow from secondary income amounted to 274.92 million euros (2.58% fall). In the revenues structure, 245.88 million euros or 89.44% referred to other sectors, while the government sector accounted for a smaller portion of 29.03 million euros and is 30.26% lower than in the previous period. From the total inflow of transfers from other sectors, 198.46 million euros were realized based on personal transfers from abroad (similar to the previous year level), while the inflow based on other current transfers amounted to 47.43 million euros (an increase of 14.13%). The largest part of other current transfers related to social benefits (pensions) and amounted to 25.56 million euros (an increase of 11.50%).

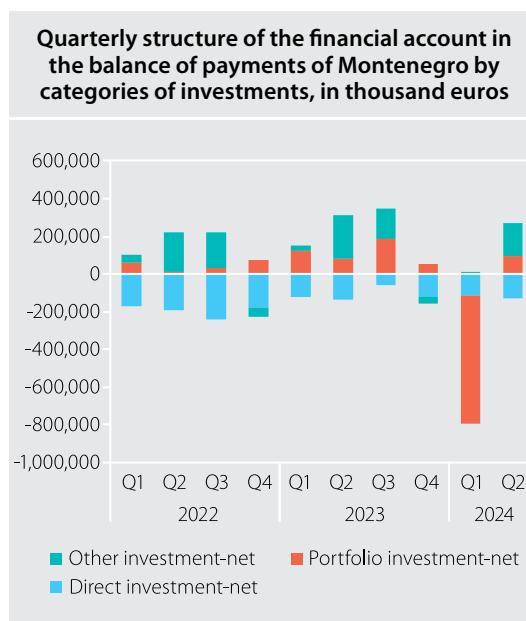
**Graph 7.9**

Source: CBCG

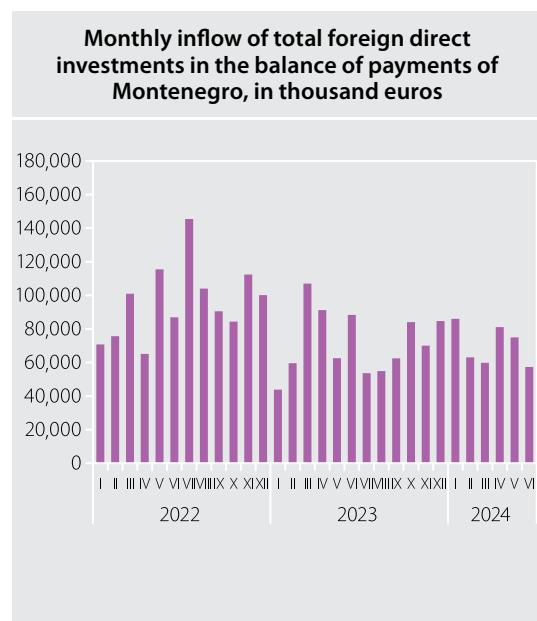
The outflow based on secondary income, i.e. transfers abroad, amounted to 59.16 million euros, which represents an increase of 6.18% compared to the previous year. The main share of this outflow of 52.07 million euros referred to other sectors, while the government sector accounted for 7.09 million euros. Within the outflow of funds from other sectors, personal transfers accounted for 28.92 million euros (an increase of 6.82%), while the outflow from other current transfers amounted to 23.15 million euros and was 30.21% higher compared to the first quarter of the previous year.

**7.1.2. Financial account**

In the financial account, in the period January - June 2024, a net capital inflow of 494.81 million euros was recorded, which is 347.15 million euros more than in the same period of the previous year. Developments in the financial account are characterized by a decrease in net inflows in the direct investment account, as well as a decline in net outflows in the other investment account. The portfolio investment account recorded a net inflow, while in the comparable period of the previous year, a net outflow was recorded (graph 7.10). If we look at the sectoral structure of the financial account, the banking sector recorded a net outflow based on financial transactions, while the government and other sectors recorded a net inflow.

**Graph 7.10**

Source: CBCG

**Graph 7.11**

Source: CBCG

The account of direct investments recorded a decrease in net inflows. Net FDI inflow amounted to 245.39 million euros, which is 4.69% less year-on-year. Total FDIs inflow amounted to 422.13 million euros (Graph 7.11), while the outflow amounted to 176.74 million euros.

In the reporting period, the total inflow of foreign direct investments decreased by 30.38 million euros or 6.71% year-on-year. Inflow based on debt investments (intercompany debt) amounted to 156.27 million euros and increased by 4.90%, while equity investments amounted to 259.83 million euros and decreased by 5.42% year-on-year.

In the structure of equity investments (graph 7.12), 199.94 million euros related to the inflow based on investments in real estates (fall of 10.24%), while the inflow based on investments in companies and banks amounted to 59.89 million euros (growth of 15.24%). The inflow of FDI in the form of other investments, that is, the inflow based on the withdrawal of investments from abroad, amounted to 6.03 million euros (a decrease of 79.08%). The structure of inflows (graph 7.13) has not changed significantly, and real estate investments continue to represent the largest share of FDI inflows during 2023 and the first two quarters of 2024.

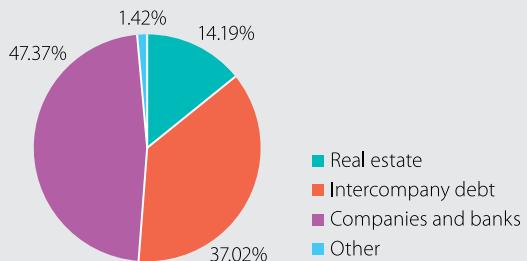
Total FDI outflow amounted to 176.74 million euros and it decreased 18.30 million euros or 9.38% more year-on-year. In the structure outflow from residents' investments abroad amounted to 42.26 million euros, while the withdrawal of non-residents' funds invested in Montenegro amounted to 134.48 million euros.

The portfolio investments account recorded a net inflow of 585.03 million euros in the observed period, while year-on-year, this account recorded a net outflow. A significant net inflow resulted from the issuance of government bonds on the international capital market during the first quarter of 2024.

The net outflow on the account of other investments was 188.25 million euros, which represents fall of 77.49 million euros year-on-year, when the recorded net outflow amounted to 265.73 million euros. The dominant instrument on the liabilities side are loans. The inflow based on the withdrawal of loan funds by other sectors amounted to 78.01 million euros (a decrease of 31.23%), while an outflow was recorded based on the principal repayment by other sectors in the amount of 123.08 million (a decrease of 6.01%). At the same time, the inflow based on the withdrawal of loan funds by the govern-

**Graph 7.12**

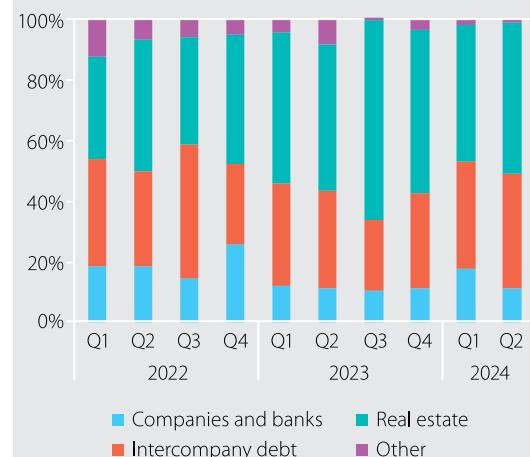
**Structure of total FDI inflow in Montenegro, January - June 2024, in %**



Source: CBCG

**Graph 7.13**

**Structure of total inflow of foreign direct investments in the balance of payments of Montenegro, in %**



Source: CBCG

ment amounted to 26.33 million euros (a decrease of 77.29%), while an outflow was recorded based on the principal repayment in the amount of 171.70 million euros (an increase of 36.91%). In the same period, banks increased their foreign loan indebtedness.

At end-June 2024, the Central Bank's monetary assets in foreign accounts and the vault increased by 157.58 million euros relative to 31 December 2023.

## 7.2. Gross External Debt

Preliminary data indicates that gross external debt of Montenegro amounted to 9,714.55 million euros at the end of the second quarter of 2024. Compared to the end of December of the previous year, this debt increased by 654.27 million euros, due to a larger increase in debt recorded in the public sector compared to the private sector.

**Table 7.4**

The structure of the external debt of Montenegro, in million euros and in %						
	Q1-2023	Q2-2023	Q3-2023	Q4-2023	Q1-2024	Q2-2024
Public sector debt	3,723.23	3,715.99	3,697.65	3,619.33	4,259.25	4,194.31
<i>General Government</i>	3,619.56	3,613.40	3,593.62	3,517.29	4,156.66	4,091.33
<i>Central Bank</i>	103.67	102.59	104.03	102.04	102.59	102.98
Private sector debt	5,647.46	5,603.06	5,498.83	5,440.95	5,524.50	5,520.24
<i>Depository institutions</i>	1,566.51	1,514.84	1,490.12	1,434.79	1,518.32	1,530.78
<i>Other sectors</i>	1,889.94	1,845.84	1,808.75	1,731.88	1,702.93	1,685.85
<i>Intercompany borrowings</i>	2,191.01	2,242.38	2,199.96	2,274.28	2,303.25	2,303.61
Total external debt	9,370.69	9,319.05	9,196.48	9,060.28	9,783.75	9,714.55
Structure of external debt, in %						
Public sector debt	39.73	39.88	40.21	39.95	43.53	43.18
<i>General Government</i>	38.62	38.78	39.08	38.82	42.48	42.12
<i>Central Bank</i>	1.11	1.10	1.13	1.13	1.05	1.06
Private sector debt	60.27	60.12	59.79	60.05	56.47	56.82
<i>Depository institutions</i>	16.72	16.25	16.20	15.83	15.52	15.76
<i>Other sectors</i>	20.17	19.81	19.67	19.12	17.41	17.35
<i>Intercompany borrowings</i>	23.38	24.06	23.92	25.10	23.54	23.71
Gross External Debt	100.00	100.00	100.00	100.00	100.00	100.00

Source: CBCG and Ministry of Finance

In the structure of Montenegro's external debt at end-H1 2024, the public sector debt<sup>65</sup> accounted for 43.18% and the private debt accounted for 56.82% (graph 7.13). The external debt of the public sector amounted to 4,194.31 million euros, which represents an increase of 574.98 million euros compared to the end of the previous year. This growth is the result of increased liabilities arising from bonds issued on the foreign market.

<sup>65</sup> The public sector includes the General Government and the Central Bank, while the private sector includes depository institutions, intercompany borrowings and other sectors. The Central Bank refers to the allocation of SDRs at the IMF.

Graph 7.14

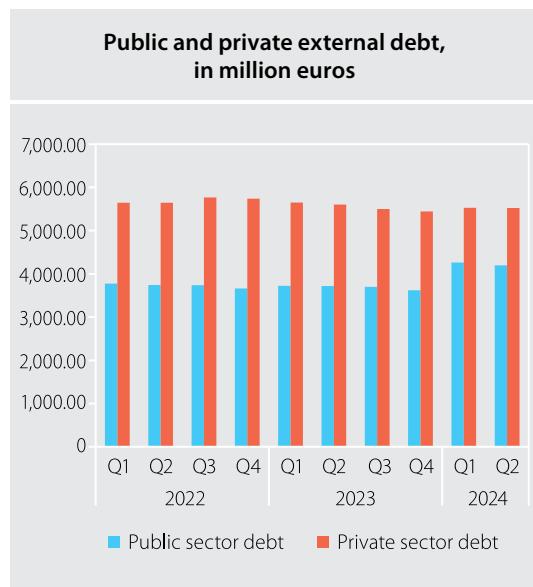
In the structure of the public sector external debt, within the general government category<sup>66</sup>, the debt balance based on credit liabilities amounted to 1,653.57 million euros, and based on Eurobonds issued in previous years amounted to 2,437.76 million euros, while the external debt category of the Central Bank of Montenegro amounted to 102.98 million euros (SDR allocation with the IMF).

External debt of the private sector<sup>67</sup> amounted to 5,520.24 million euros or 79.29 million euros more than in the previous year-end. Observed by the type of financial instruments, the largest part of private sector debt (75.28%) in the amount of 4,155.90 million euros related to loans, while the remaining 24.72% related mostly to cash and deposits and debt securities.

In the structure of the private sector's external debt, observed by institutional sectors, the largest share of 30.54% was held by intercompany debt, which amounted to 2,303.61 million euros, and is recorded as a foreign direct investment according to the IMF methodology. In the structure of private sector debt, the share of the rest of the sectors<sup>68</sup> was also significant, 30.54%, in the amount of 1,685.85 million euros.

Depository institutions' liabilities abroad accounted for 27.73% of total private sector debt and amounted to 1,530.78 million euros, of which the largest share was held by deposits in the amount of 1,343.06 million euros.

The currency structure of gross external debt at the end of the second quarter of 2024 is dominated by the euro with around 95% share, which makes the country's risk relatively low, considering that the euro is the official means of payment in Montenegro. The structure of the external debt of the private sector according to maturity is favourable considering that about 95% is of a long-term nature (deposits excluded).



Source: CBCG and Ministry of Finance

<sup>66</sup> The coverage of the General government follows the IMF methodology prescribed by the sixth edition of the Balance of Payments and International Investment Position Manual (BPM6) and the *External Debt Statistics - Guide for Compilers and Users* and it deviates from the coverage in the national definition (includes debt of local self-governments and debt of state-owned companies to non-residents).

<sup>67</sup> The private sector includes: deposit institutions except the central bank (commercial banks) and other sectors (all financial institutions except banks, non-financial corporations, non-profit institutions that provide services to households and households, including entrepreneurs and natural persons) and direct investments (intercompany borrowings). Data on private sector debt include estimates of the debt of natural persons, as well as estimates of the debt of companies that have not submitted reports, based on net flows from the balance of payments (ITRS).

<sup>68</sup> The debt of other sectors covers non-banking financial institutions, companies and natural persons.

## 7.3. International investment position

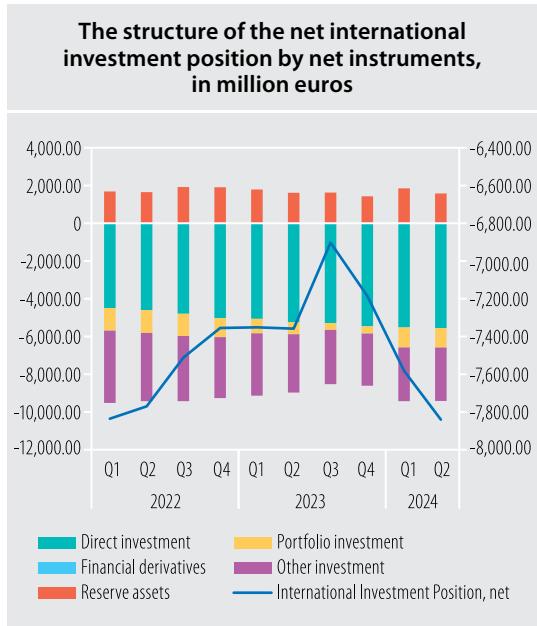
At the end of H1 2024, the net international investment position<sup>69</sup> (IIP) of Montenegro was -7,840.48 million euros. Total foreign claims of residents amounted to 5,429.82 million euros, and liabilities amounted to 13,270.30 million euros.

**Table 7.5**

Structure of the international investment position of Montenegro, in million euros												
	Net IIP Q1-2023	Share in %	Net IIP Q2-2023	Share in %	Net IIP Q3-2023	Share in %	Net IIP Q4-2023	Share in %	Net IIP Q1-2024	Share in %	Net IIP Q2-2024	Share in %
1. International investment position, net	-7,352.01		-7,358.67		-6,902.15		-7,184.95		-7,582.43		-7,840.48	
2. Assets	5,135.63	100.00%	5,213.62	100.00%	5,650.50	100.00%	5,351.77	100.00%	5,722.90	100.00%	5,429.82	100.00%
2.1. Direct investments	219.99	4.28%	222.18	4.27%	234.17	4.14%	256.19	4.78%	269.44	4.72%	280.40	5.16%
2.2 Portfolio investments	1,010.09	19.67%	1,146.52	21.99%	1,424.28	25.21%	1,403.11	26.22%	1,412.64	24.68%	1,434.67	26.42%
2.3 Financial derivatives	0.04	0.00%	0.27	0.01%	0.54	0.01%	0.04	0.00%	0.03	0.00%	0.02	0.00%
2.4 Other investments	2,118.36	41.25%	228.57	42.74%	2,367.45	41.90%	2,267.44	42.37%	2,194.93	38.35%	2,132.49	39.28%
2.5 CBCG reserves	1,787.15	34.80%	1,616.08	30.99%	1,624.06	28.74%	1,424.99	26.63%	1,845.86	32.25%	1,582.24	29.14%
3. Liabilities	12,487.64	100.00%	12,572.28	100.00%	12,552.65	100.00%	12,536.71	100.00%	13,305.33	100.00%	13,270.30	100.00%
3.1. Direct investments	5,281.79	42.30%	5,467.09	43.49%	5,525.58	44.02%	5,718.45	45.61%	5,792.92	43.54%	5,837.92	43.99%
3.2 Portfolio investments	1,782.38	14.27%	1,784.82	14.20%	1,784.86	14.22%	1,784.15	14.23%	2,472.32	18.58%	2,462.75	18.56%
3.3 Financial derivatives	0.33	0.00%	0.32	0.00%	0.04	0.00%	2.41	0.02%	1.60	0.01%	1.00	0.01%
3.4 Other investments	5,423.14	43.43%	5,320.05	42.31%	5,242.17	41.76%	5,031.70	40.14%	5,038.49	37.87%	4,968.63	37.44%

Source: CBCG

**Graph 7.15**



The negative net international investment position at the end of Q2 2024 increased by 655.53 million euros at the end-2023, due to an increase in financial assets (by 733.59 million euros), the impact of which was somewhat mitigated by the simultaneous increase in financial liabilities (by 78.05 million euros).

Observing the net positions by investment instruments<sup>70</sup> (assets minus liabilities), preliminary data show that compared to the same period of the previous year, there was an increase in portfolio investments by 647.05 million euros, and an increase in foreign direct investments by 95.26 million euros and other investments for 71.87 million euros was also recorded.

Source: CBCG

<sup>69</sup> The net international investment position represents the difference between foreign financial assets (receivables) and foreign financial liabilities.

<sup>70</sup> Direct investments, portfolio investments, financial derivatives, other investments and reserves.

Growth on the asset side during the second quarter of 2024 was generated by the growth in direct investment and portfolio investment positions. Analysing the structure of funds by investment instruments, other investments have the largest share in total assets (39.27%), followed by CBCG reserves, which have a share of 29.14% of total assets, while portfolio investments have a share of 26.42% in total assets.

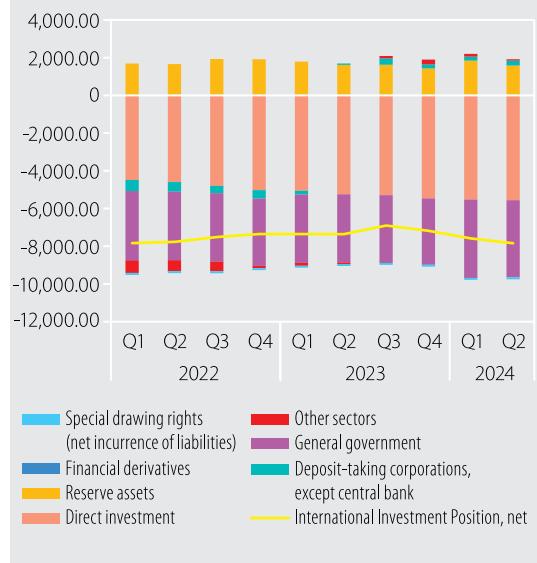
The analysis of the structure of Montenegro's total financial liabilities abroad shows that the largest share of direct investments is 43.99% (5,837.92 million euros and an increase of 119.47 million euros), the largest part of which refers to equity investments 60.54% (3,534.31 million euros), while the position of other investments has a share of 37.44% in total liabilities (4,968.63 million euros), and the largest part of them are liabilities based on taken loans.

With the annual decrease of 115.44 million euros, loans were the main financial instrument on the liabilities side with 3,505.86 million euros (a share of 26.42% in total liabilities).

The share of liabilities for portfolio investments reached 2,462.76 million euros or 18.56% of total liabilities at end-Q2 2024 (main share was of liabilities for issued Eurobonds).

**Graph 7.16**

**The structure of the net international investment position by sectors, in million euros**



Source: CBCG



# REAL ESTATE MARKET ANALYSIS

08



## HEDONIC INDEX OF REAL ESTATES

In the period July - August 2024, the CBCG conducted its regular survey on the real estate prices trends in Podgorica. The questions in the survey referred to the qualitative features of housing units (heating, internet connection, number of rooms, number of balconies, etc.) aimed at determining the relative influence that these qualitative features have on the dwelling value. A subjective value of an apartment unit was assessed with the following question: "Which is the price that a housing unit owner would not go below at this moment?" The collected data were used to calculate the Hedonic index of real estate prices which measures the effect of such qualitative characteristics on the value of a housing unit.

The calculation of an average price per square meter in July -August 2024 was based on a sample of 58,295 apartments at the locations Podgorica 1, Podgorica 2, and Podgorica 3. The survey included a random sample of 1,700 owners of housing units and 406 questionnaires were successfully completed. This means that the total response rate was 23.88%.

The results of the survey showed that the average price of a square meter of real estate units in Podgorica amounted to 1,583.23 euros, which is a 6% increase year-over-year.

**Table 8.1**

Summary statistics of average values of apartments per square meter in Podgorica, September 2007 - July/August 2024			
Period	Price in euros	Chain index	Base index
September 2007	1,697.6	100.0	100.0
March 2008	1,738.3	102.4	102.4
September 2008	1,525.5	87.8	89.9
March 2009	1,402.1	91.9	82.6
September 2009	1,223.1	87.2	72.0
March 2010	1,128.3	92.2	66.5
June 2010	1,191.5	105.6	70.2
September 2010	1,177.1	98.8	69.3
December 2010	1,185.2	100.7	69.8
March 2011	1,171.2	98.8	69.0
June 2011	1,163.0	99.3	68.5
September 2011	1,174.0	100.9	69.2
December 2011	1,151.2	98.1	67.8
January 2012	1,168.3	101.5	68.8
June 2012	1,179.6	101.0	69.5
September 2012	1,172.3	99.4	69.1
December 2012	1,171.6	99.9	69.0
March 2013	1,169.4	99.8	68.9
June 2013	1,069.8	91.5	63.0
March 2014	971.4	90.8	57.2
September 2014	950	97.8	56.0
March 2015	920.8	96.9	54.2
September 2015	939	102.0	55.3
March 2016	965	102.8	56.8
June 2016	1,019.9	105.7	60.1
September 2016	915.6	89.8	53.9
December 2016	919	100.4	54.1
March 2017	901	98.0	53.1
June 2017	950	105.4	56.0
September 2017	920	96.8	54.2
December 2017	939.7	102.1	55.4
June 2018	1,052.7	112	62.0
December 2018	988.1	93.9	58.2
June 2019	1,033.2	104.6	60.9
December 2019	1,045.2	101.2	61.6
July 2020	1,064.2	101.8	62.7
December 2020	1,004	94.3	59.1
June 2021	1,079.2	107.5	63.6
December 2021	1,094	101.4	64.4
July 2022	1,248.8	114.1	73.6
December 2022	1,298.5	104.0	76.5
June 2023	1,478.6	113.9	87.1
December 2023	1,493.5	101.0	88.0
July/August 2024	1,583.2	106.0	93.3

Source: CBCG calculations

The average price of an apartment square meter was the highest in the first zone and it amounted to 1,996.82 euros. In the second and third zones, the prices per square meter were lower and amounted to 1,701.63 euros and 1,334.40 euros, respectively.

**Table 8.2**

Summary statistics of average values; standard deviation; minimum and maximum prices by housing category in Podgorica in July and August 2024, in euros					
Variable	Box Observations (valid)	Medium value	Standard deviation	Minimum price	Maximum price
Average housing price per square meter	405	1,583.2	347.6	823.5	2,500.0
Average housing price per square meter - apartment	262	1,795.7	210.9	1,377.8	2,500.0
Average housing price per square meter - house	143	1,194.0	161.3	823.5	1,666.7

Source: CBCG calculations

Most of the sampled residential facilities were apartments (64.7%) and the remaining were houses (35.3%). The price of individual housing units ranged between 2,500.0 euros/m<sup>2</sup> in the centre of the city and 823.5 euros/m<sup>2</sup> at locations further away from the city centre.

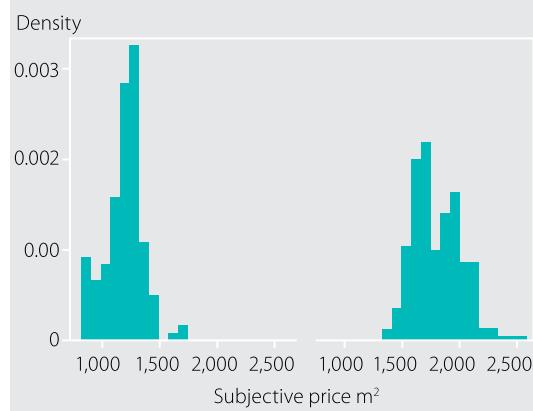
The available data provided for the preparation of an econometric hedonic real estate model which assesses the effect of qualitative characteristics of a housing unit on the price of that unit. Graph 8.1 shows the price range of housing units and this price is also the dependant variable in the model.

In order to achieve a normal distribution, the value of standard errors necessary when applying the econometric method of the *ordinary least square* (OLS) and the interpretation of results in the form of percentage changes, prices per square meter are logarithmic. The independent variables

used were qualitative characteristics related to the location<sup>71</sup>, type of a residential unit (apartment or house), square metres, age, as well as the type of heating, the number of balconies, the number of rooms, available internet connection, telephone connection, and a parking space. Also, in order to fulfil a proper functional form, properties of extremely high/low values of real estate were excluded, as were poor quality data (e.g. detected errors in entering the qualitative characteristics of a residential unit). This resulted in a reduced sample for the modelling purpose to 405 observations.

**Graph 8.1**

**Histogram of distribution of housing unit prices (lhs) and apartments (rhs) in the period July - August 2024**



Source: CBCG calculations

<sup>71</sup> This survey took into account the reorganised zoning of the city. The new city plan indicates that Zone 1 is the urban core and more expensive location such as the general city centre, Gorica C, Preko Morače, Blok 5, a part of Kruševac, City quart, Central Point and Master quart. Zone 2 covers Blok 6, Blok 9, a part of Stari Aerodrom, Stara Varoš, Drač, a part of Zabjelo, Ljubović, a part of Kruševac, a part of Zagorić until Nikola Tesla Street, and all other city parts are classified as Zone 3.

Table 8.3 shows the empirical results of using the average housing unit price model, based on data for December 2023. The diagnostic tests showed that the model was well-specified, that there were no problems either with its multicollinearity (low values of the variance inflation factor - VIF, i.e. under 10) or with the functional form (Ramsey Reset Test).

The empirical results of the model of average housing unit price indicate that, measured by the level of statistical significance, the price of a housing unit is affected by the location and the type of building (an apartment or a house) and the type of heating. By averaging the results and analysing other factors we come to the conclusion that a square meter of an apartment is more expensive than a square meter of a house and that housing units in Zones 1 and 2 in Podgorica are more expensive. In this iteration, characteristics such as age, the number of rooms and balconies and ownership of a garage did not have a significant impact on the price per square meter.

**Table 8.3**

Empirical results of average housing price model in Podgorica, July-August 2024			
Variable	Ratio	Standard Error	P>t
Dependent variable: ln (msqr price)			
Ln (square footage)	0.067	0.046	0.147
Podgorica 1	0.291***	0.020	0.000
Podgorica 2	0.124***	0.019	0.000
Apartment	0.239***	0.042	0.000
Up to 65 m <sup>2</sup>	-0.008	0.021	0.717
up to 6 stories	0.004	0.020	0.825
From 5 to 10 years old	0.049	0.051	0.345
0 balconies	0.006	0.038	0.877
1 rooms	0.033	0.030	0.277
2 rooms	0.017	0.020	0.405
Heating	-0.080*	0.043	0.061
Garage	-0.044	0.040	0.274
Elevator	-0.018	0.024	0.445
Constant	6.817***	0.207	0.000
No. of observations	405	Diagnostics: VIF= 3.82; Ramsey RESET test: Prob > F = 0.003	
R_squared	0.8659		

Note: \*\*\* significance at 1%, \*\* significance at 5%, \* significance at 10%

ln - natural algorithm

Source: CBCG calculations

# INTERNATIONAL ECONOMY

09



## 9.1. Global economic and financial trends

The IMF's July forecast of the global economic growth in 2024 remained the same as their April forecast (3.2%), and the 2025 growth forecast was revised slightly upward to 3.3% (table 9.1).

The IMF expects advanced economies to reach a 1.7% growth in 2024. As for the euro area and the USA, this institution expects growths of 0.9% and 2.6%, respectively, which is generally in line with the last year's estimate of economic growth. Emerging market and developing economies are expected to grow at a rate of 4.3%. The IMF revised upward China's growth forecasts by 0.04 pp for both 2024 and 2025 so now it is expected to grow at the rates of 5% and 4.5%, respectively. The group of emerging and developing Europe (Montenegro included) is expected to grow by 3.2% in 2024, slightly higher than in the previous forecast and as estimated last year.

**Table 9.1**

Indicator	2023 estimate	Forecasts		Difference relative to April 2024 projections, pp	
		2024	2025	2024	2025
<b>Real GDP growth</b>					
World	3.3	3.2	3.3	0.0	0.1
Advanced economies	1.7	1.7	1.8	0.0	0.0
USA	2.5	2.6	1.9	-0.1	0.0
Euro area	0.5	0.9	1.5	0.1	0.0
Japan	1.9	0.7	1.0	-0.2	0.0
<b>Emerging Market and Developing Economies</b>	4.4	4.3	4.3	0.1	0.1
China	5.2	5.0	4.5	0.4	0.4
India	8.2	7.0	6.5	0.2	0.0
Russia	3.6	3.2	1.5	0.0	-0.3
Emerging and Developing Europe	3.2	3.2	2.6	0.1	-0.2
<b>Prices of stock exchange goods, average rate</b>					
Oil	-16.4	0.8	-6.0	3.3	-0.3
Non-energy producing products	-5.7	5.0	1.6	4.9	2.0
<b>Consumer prices, average rate</b>					
Advanced economies	4.6	2.7	2.1	0.1	0.1
Emerging Market and Developing Economies	8.3	8.2	6.0	-0.1	-0.2

Source: MMF, July 2024

In Q2 2024, the economic activity in the euro area recorded a growth of 0.3%. Germany, France, Italy, and Spain, as the largest euro area economies, recorded the rates of growth of -0.1%, 0.2%, 0.2%, and 0.8%, respectively. Compared year-over-year, economic activity in the euro area increased by 0.6% in the reporting quarter.

The U.S. economy grew at a more accelerated pace than expected (by 0.2 pp%) so GDP recorded a 3% growth compared to the previous quarter<sup>72</sup>. China's economy recorded a 0.7% growth in the second quarter of 2024.

In June this year, the ECB lowered its key interest rates by 0.25 percentage points, bringing the main refinancing rate to 4.25%. The ECB considered that there was an appropriate moment to ease monetary policy, justifying such a move by data pointing to a significant improvement considering the inflation outlook, as well as to the effectiveness of monetary policy transmission. Domestic price pressures remain present given wage growth, and the ECB expects inflation to remain above its target level in the coming year, so, as stated in the statement, the interest rates will remain elevated for as long as necessary to reduce inflation to its 2% target in the medium term.

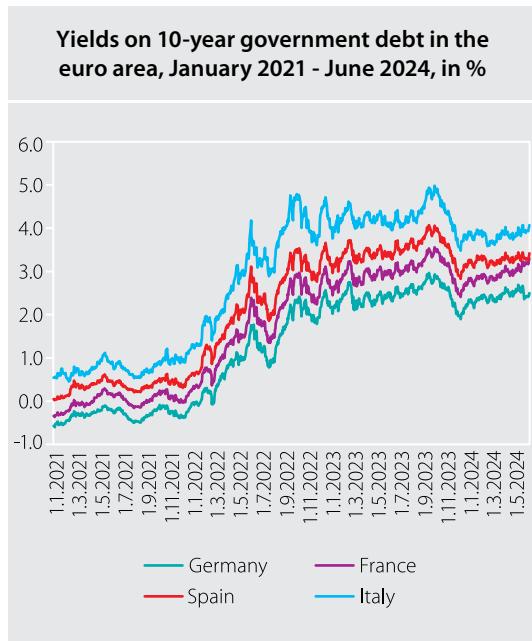
The Fed continued to act towards achieving its monetary policy objectives, i.e. bringing down inflation to 2%. During the second quarter, the reference interest rate remained at the same level, amounting to 5.25 - 5.50%. However, the labour market statistics were significantly revised in August and covered data from March this year, given that the economy created significantly fewer jobs than previously announced. The labour market is one of the key factors that the FED takes into account when making decisions on monetary policy, and the unemployment rate was on the rise in the last four months. Current market expectations (CME FedWatch) indicate that more than one interest rate cut, of 1.0 pp is possible by the end of the year, with the first cut expected in September. However, in anticipation of stronger-than-forecasted economic growth in the US, other market participants estimate that the Fed may cut interest rates by 0.75 percentage points by the end of 2024 in order to prevent a renewed rise in inflation.

Ten-year government bond yields of the four largest euro area economies did not experience significant fluctuations in the second quarter of 2024 (graph 9.1). Yields on German, French, Spanish and Italian ten-year government debt rose compared to Q1 and reached 2.5%, 3.04%, 3.3% and 3.89%, respectively. Spreads, i.e. the differences between the yields on ten-year government bonds of France, Italy and Spain and the equivalent German debt amounted to 0.55 pp, 0.26 pp, and 0.59, respectively (graph 9.1). At the end of the reporting period, the yield on the equivalent U.S. debt was higher compared to Q1 and amounted to 4.44%.

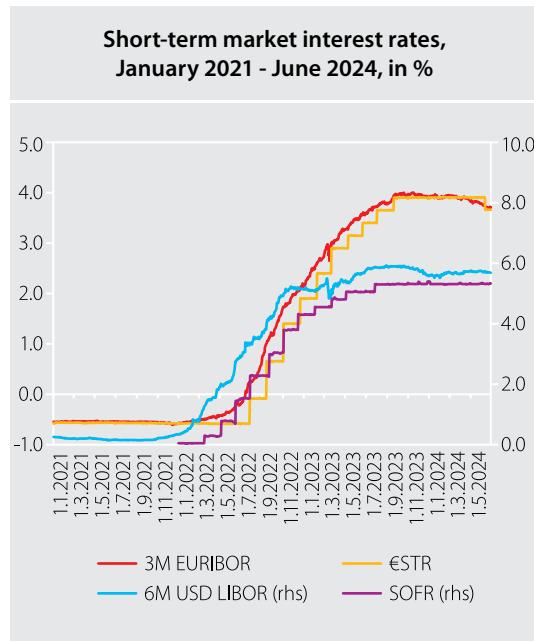
Speaking of the yield on German ten-year bonds, it was on an overall slight upward trend during the second quarter of 2024. In general, the leading factors that caused yields on the European bond market to rise were inflation data, then statements by the ECB officials that the announced June interest rate cut could be the only one this year, economic data from the largest euro area markets, but also to a large extent what was happening on the US market and all the factors that influenced it (market expectations of interest rate changes and key economic indicators). At the end of the reporting quarter, a slightly larger decline was noticeable caused by the results of the elections for the European parliament and later the French parliament, i.e. market perception of the respective outcomes of parliament elections.

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<sup>72</sup> The rate at the annual level - the so-called annualized growth rate.

**Graph 9.1**

Source: Bloomberg, CBCG calculations

**Graph 9.2**

Source: Bloomberg, CBCG calculations

Short-term market reference interest rates mostly followed the suit of the reference interest rates of central banks (graph 9.2). During the second quarter of the current year, the six-month *LIBOR* rose but slightly by 0.04 pp, reaching 5.68% at end-June. *SOFR* remained almost at the same level with slight oscillations, reaching 5.33% at the end of the quarter. The 3-month *EURIBOR* also declined by a mere amount (0.24 pp) and stood at 3.66% at end-June. *€STR* as slightly lower, by 0.18 pp compared to Q1 and amounted to 3.71%.

During Q2 2024, the euro nominally depreciated against the US Dollar (-0.71%), the British Pound (-0.88%) and the Swiss Franc (-1.05%), while it appreciated against the Japanese Yen (5.56%) (graph 9.3). During the reporting period, the euro moved on average at the level of 1.076 dollars per euro, and at the end of June the exchange rate was 1.071 dollars per euro. The weakening of the euro can be largely attributed to the growing divergence in monetary policies pursued by the ECB and the Fed. Concerns about the slower decline in inflation in the US and the Fed's specific inflation measure (PCE), market expectations that the first cut could come as early as September this year, as well as higher economic growth than market expectations were the factors that influenced the decline in the EUR/USD exchange rate. On the other hand, factors that caused the exchange rate to rise during the reporting period were data on greater confidence in the German economy and better economic data from the euro area.

**Graph 9.3**

Source: Bloomberg, CBCG calculations

At the end of the second quarter of this year, the prices of stock commodities were 2.28% higher compared to March this year. The prices of fuel recorded the aggregate growth of 3.46%. Here, the price of oil declined by 1.67%, while the prices of natural gas and coal increased by 36.41% and 6.65%, respectively. The nonfuel prices rose by 1.31%, whereby food and beverages prices fell by 1.9%, and metal prices rose by 6.32%.

At the very beginning of the reporting period, the price of oil continued its multi-week rise, which was further supported at the time by market tightening in terms of stock shortages, good economic data in the US and China, the announcement by the OPEC+ countries that they would continue to reduce supply until the end of June, and geopolitical tensions. However, the beginning of April was the price peak in the second quarter, when the price started falling and continuing on that path for most of the second quarter. Geopolitical tensions were easing and the possibilities of the conflict spreading in the Middle East were smaller. On the other hand, US supplies increased. At the end of the second quarter, the price jumped again in light of greater optimism about demand ahead of the summer season, but also due to new geopolitical tensions.

Looking at the VIX<sup>73</sup> index, instability on the financial markets was low considering that the volatility of the index in the second quarter of 2024 was lower than in the previous quarter, after which it returned to its pre-pandemic level. Namely, the average value of the index in Q2 this year was 13.98 points, ranging from 11.86 to 19.23 points.

The price of gold, as a specific indicator of stress and risks in the global economy and financial markets, was on a sharp upward trend early in the reporting quarter, after which it remained stagnant with mild oscillations. The price continued to rise towards new record highs in the third quarter. A significant price increase at the beginning of the reporting period was primarily due to a decline in the value of the US dollar, geopolitical circumstances, and later on due to some market expectations that the Fed would reduce interest rates in the near future. The outcome of the parliamentary elections in France also pushed the price up. At the end of the second quarter, the gold price reached \$2,326.76/oz.

Global cumulative indices recorded different results. New York's SPX and FTSE 100 were at higher levels than at the end of the first quarter of this year, by 3.92% and 2.66% respectively. In the same period, Frankfurt's DAX and the pan-European STOXX index recorded decline of 1.39% and 0.24% respectively.

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<sup>73</sup> A measure of the expected volatility of the US stock prices.

## 9.2. Euro area

In Q2 2024, the economic activity in the euro area recorded a growth of 0.3%. According to the European Commission's<sup>74</sup> forecast, the growth rate will be 0.8% in 2024 and 1.4% in 2025. The four largest economies of the euro area, Germany, France, Italy and Spain recorded the growth rates of -0.1%, 0.2%, 0.2% and 0.8%, respectively. The highest growth in economic activity was recorded in the Netherlands (1%), Spain (0.8%) and Croatia (0.8%).

In Q2 2024, industrial production and construction activity in the euro area fell by 0.4% and 0.5%, respectively, while retail trade rose by 0.5% compared to the previous quarter.

The unemployment rate has been declining since August 2020, when it was 8.6%, and it dropped to 6.5% at the end of the second quarter of 2024. In the euro area, the unemployment rate was the lowest in Malta (3.1%), Germany (3.4%), and Slovenia (3.5%), and the highest in Spain (11.5%), Greece (9.5%) and Finland (8.4%).

A downward inflation trend during 2023 continued in 2024, so the inflation rate at the end of the second quarter decreased to 2.5%. Observed by the country, at the end of the second quarter of 2024, inflation was the highest in Belgium (5.4%), Spain (3.6%), and Croatia (3.5%), while the lowest was in Finland (0.5%), Italy (0.9%), and Lithuania (1%). According to the main components of the Harmonized Index of Consumer Prices (HICP), the prices of food, alcohol and tobacco recorded a growth rate of 2.4%, fuel prices rose 0.2%, industrial products (nonfuel) increased by 0.7%, and the prices of services increased 4.1%, while their contributions to total inflation rate amounted to 0.48 pp, 0.02 pp, 0.17 pp, and 1.84 pp, respectively.

Fiscal deficit amounted to 3.2%<sup>75</sup> of GDP in Q1 2024. Ireland, Portugal, and Lithuania were the only euro area countries that recorded fiscal surpluses of 1.6%, 0.6%, and 0.1% of GDP, respectively. The largest deficits were recorded in France (5.6%), Slovakia (5%) and Belgium (4.5%). Total budget revenues of the euro area declined by 0.5 pp to 46.3% of GDP in 2023, while budget expenses were reduced by 0.6 pp, to 49.9% of GDP.

The public debt of the euro area countries reduced at the end of 2023 to 88.6% of GDP (12.73 thousand billion euros) from 90.8% of GDP at the end of the previous year. Greece ran the highest public debt of 161.9%, followed by Italy with 137.3%, and France with 110.6% of GDP. Besides the aforementioned countries, the public debts of Spain and Belgium exceeded 100% of GDP. On the other hand, the lowest levels of public debt were recorded by Estonia and Luxembourg of 19.6% and 25.7% of GDP, respectively. The public debts of Latvia, Lithuania, Malta, the Netherlands, Ireland and Slovakia were also below the Maastricht criterion of 60% of GDP. Looking at the financial instruments, the main share of the debt or as much as 83.4% referred to debt securities, 13.8% referred to loans, while 2.8% were cash and deposits.

<sup>74</sup> European Economic Forecast, Spring 2024, European Commission.

<sup>75</sup> The latest available data were seasonally and calendar adjusted.

**Table 9.2**

ECB's macroeconomic projections for the euro area, 2023–2026, in %				
	2023	2024	2025	2026
Real GDP	0.6	0.9	1.4	1.6
Private spending	0.6	1.2	1.7	1.6
Public spending	0.8	1.2	1.1	1.1
Gross fixed capital formation	1.3	0.1	1.5	2.0
Exports	-0.9	1.3	2.9	3.1
Imports	-1.4	0.5	3.2	3.3
Employment	1.4	0.8	0.4	0.5
Unemployment rate, in % of labour force	6.5	6.5	6.5	6.3
HICP	5.4	2.5	2.2	1.9
HICP, excluding energy	6.3	2.8	2.3	2.1
HICP, excluding energy and food	4.9	2.8	2.2	2.0
HICP, excluding energy, food, and changes in indirect taxes	5.0	2.7	2.2	2.0
Unit labour costs	6.1	4.7	2.5	2.1
Earnings per employee	5.2	4.8	3.5	3.2
Labour productivity	-0.9	0.1	1.0	1.1
General government budget balance, % of GDP	-3.6	-3.1	-2.8	-2.6
Structural fiscal balance, % of GDP	-3.6	-3.0	-2.7	-2.6
Public debt, in % of GDP	88.5	88.4	88.6	88.6
Current account balance, % of GDP	1.6	2.8	2.9	2.9

Source: ECB, June 2024

### 9.3. Region

According to the estimate of the Statistical Office of the **Republic of Serbia**, the economic activity of that country recorded a growth of 4% in the second quarter of 2024. Significant real growth was recorded in the wholesale and retail trade sector<sup>76</sup> (7.1%) and the construction sector (7.2%). Observed by GDP aggregates as per the expenditure approach, the household spending increased by 4.8%, gross fixed capital formation by 8.5%, while visible and invisible exports and imports increased by 4.4% and 8.5%, respectively.

The annual inflation during the second quarter was on a downward path and in June it stood at 3.8%, while core inflation stabilised at 5% year-on-year. The reference interest rate declined in June 2024 by 25 bp and it amounted to 6.25% at the end of the second quarter of 2024.

The unemployment rate amounted to 8.2% in Q2 2024, being 1.4 pp lower year-on-year. The employment rate was 51.4% in Q2 this year or 1.1 pp higher than in the same period of the previous year. The average net earnings in the period January-June this year achieved a nominal growth of 14.7% and a real growth of 9.2% year-on-year.

<sup>76</sup> Wholesale and retail trade sector and motor vehicles repair, transport and warehousing, and accommodation and food service activities.

In the first quarter of 2024, the current account recorded a deficit and amounted to 2.5% of GDP. The fiscal deficit was 0.9% of GDP. The share of central government debt was 50% of GDP at the end of Q2 2024. In April 2024, Standard and Poor's changed Serbia's credit rating outlook from positive to stable, while maintaining the BB+ credit rating.

According to the data of the Agency for Statistics of Bosnia and Herzegovina, the economy of that country achieved a growth of 2.7%<sup>77</sup> in the first quarter of 2024. Observed by the GDP components using the production method, the significant year-on-year real growth was recorded in hotel and hospitality industries of 16.1%.

At end-Q2 2024, the annual inflation rate amounted to 1.6%. The unemployment rate in Q1 2024 was 13.5% and the employment rate reached 41.9%.

The average monthly net salary in the period January - June 2024 recorded a nominal growth of 9.3% compared to the same period of the previous year. The share of public debt in GDP amounted to 25.5% at the end of the first quarter of 2024.

Croatia's economy recorded a real annual growth of 3.3% in the second quarter of 2024. Observed according to GDP components using the production method, growth in the second quarter of 2024 was driven by the growth of construction of 15.5% and information and communications of 9.4%. Observed by GDP components using the expenditure approach, growth was driven by an increase in household final consumption of 6.1% and gross fixed capital formation of 12.9%.

Annual inflation during Q2 2024 continued trending downwards, amounting to 2.4% in June. The unemployment rate amounted to 4.7% in June this year, being 0.8 pp lower year-over-year. The average net salary achieved a nominal growth of 15.5% and a real year-on-year growth of 11.5% in the period January - June 2024.

According to data from the Croatian National Bank, at the end of 2023, the general government debt amounted to 63% and it declined by 4.8 pp compared to the previous year.

Table 9.3 shows the key economic indicators by the country in the region for the period 2023 - 2025, presented in the relevant documents of the Eurostat (2023) and the IMF (forecasts for 2024 and 2025).

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<sup>77</sup> Latest available data

**Table 9.3**

Key economic indicators by countries in the region for the period 2023 - 2025 <sup>78</sup>								
		Albania	Bosnia and Herzegovina	Montenegro	Croatia	Kosovo	North Macedonia	Serbia
Real GDP-growth, in %	2023	3.3	1.8	6.0	2.8	3.3	1.0	2.5
	2024	3.1	2.5	3.7	3.0	3.8	2.7	3.5
	2025	3.4	3.0	3.0	2.7	4.0	3.7	4.5
Inflation, %	2023	4.0	2.2	4.3	5.4	2.5	3.6	7.6
	2024	3.0	2.9	4.2	2.4	3.4	4.0	3.6
	2025	3.0	2.1	2.1	2.2	1.5	2.0	3.0
Unemployment, %	2023	11.0	13.3	---	6.2	---	14.3	9.5
	2024	11.0	13.3	---	5.8	---	14.1	9.4
	2025	11.0	13.3	---	5.5	---	14.0	9.3
General government budget balance, % of GDP	2023	-1.1	-0.7	0.7	0.2	-0.2	-4.9	-1.3
	2024	-2.2	-2.4	-3.2	-1.5	-1.1	-3.4	-2.0
	2025	-2.6	-2.4	-3.5	-1.3	-1.2	-3.0	-2.3
Current account, % of GDP	2023	-3.7	-4.3	-11.4	1.2	-7.6	0.7	-2.6
	2024	-3.8	-4.5	-12.4	1.5	-6.9	-0.8	-3.9
	2025	-4.1	-4.3	-13.5	0.9	-5.8	-2.7	-4.7
GDP per capita, EU 27 2020 = 100	2023	35	35	52	76	---	41	46
Credit rating, S&P	rating	BB-	B+	B	BBB+	no rating	BB-	BB+
	Outlook	Stable	Stable	Positive	Positive		Stable	Positive

Source: IMF (WEO Database, April 2024); Eurostat; tradingeconomics.com

<sup>78</sup> For indicators 1-5, the data source is the IMF. Eurostat is the source of data for the indicator 6. The source of data for the indicator 7 is tradingeconomics.com, where the data refer to credit ratings assigned by Standard and Poor's as at end-June 2024.

## IMPORTANT EVENTS

10



## IMPORTANT EVENTS IN THE SECOND QUARTER OF 2024

### APRIL

The Government has adopted a 2024 Programme for Improving the Competitiveness of the Economy worth three million euros, which should focus on strengthening the manufacturing industry and transforming the economy towards digital and green business.

The Government adopted the Information on the implementation of the Solari 5000+ (70MW) project for citizens and businesses, whose total estimated value is 70 million euros. The Information states that subsidies to end users for the installation costs of photovoltaic systems shall be 20% and the Eco-fond and the Electric Power Company of Montenegro (EPCG) shall contribute with 10% each.

### MAY

Representatives of the Government of Montenegro and the European Investment Bank (EIB) signed a financing agreement worth 80 million euros for the reconstruction of the 167-kilometre railway section between Bar over Podgorica to Vrbnica. Of this amount, 40 million euros is the EIB loan and 35.5 million euros are two grants provided through the Western Balkans Investment Framework, while the Government of Montenegro is expected to contribute 4.5 million euros.

The Central Bank of Montenegro (CBCG) became a member of the Sustainable Banking and Finance Network (SBFN), supported by the International Financial Corporation (IFC).

The Government adopted a Decision Amending the Decision on Temporary Measures to Limit Prices of Products of Special Importance for the Life and Health of People with a list of products, that was to remain in effect until 30 June of the current year.

With the aim of strengthening the capacities of the Montenegrin innovation ecosystem and promoting innovation culture, the Innovation Fund announced five support programs, worth a total of 1.6 million euros, intended for start-up teams, micro, small and medium-sized enterprises, research organizations, inventors, and innovators.

### JUNE

The Government approved the proposal of the Final Accounts of the Budget of Montenegro for 2023.

The CBCG adopted a Decision on establishing guidelines for risk analysis and guidelines for establishing the system for managing risk of money laundering and terrorist financing with reporting entities supervised by the Central Bank of Montenegro.

The Government adopted the Information on concluding a Loan Agreement with the European Bank for Reconstruction and Development (EBRD) for the purposes of financing the Project for the Reconstruction of Public Health Institutions of the Clinical Center of Montenegro, Bijelo Polje General Hospital, and Cetinje General Hospital, of the estimated total value of 15 million euros.

# ANNEXES 11



## Annex A: Real Sector Developments

**Table 1: Overview of macroeconomic developments**

Description	2023 XII/XI	2024 (chain index)											
		I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
Consumer prices (index)	99.5	100.5	100.4	100.5	100.1	100.1	100.1						
Industrial producer prices (index)	102.2	100.1	99.5	100.2	100.4	100.4	100.6						

Source: MONSTAT

**Table 2: Industrial output**

Description	Q II-2024 Ø 2023	Q II-2024 Q I-2024	Q II-2024 Q II-2023	Q I-II 2024 Q I-II 2023
INDUSTRIAL PRODUCTION INDEX - total	68.4	62.6	79.4	93.3
Capital goods	118.3	88.1	121.0	150.9
Consumer durables	97.1	154.9	83.0	82.8
Intermediate goods	89.3	88.7	99.2	105.7
Consumer non-durables	90.9	87.7	93.6	110.7
Energy	40.6	35.2	52.5	75.9
MINING AND QUARRYING	73.3	68.1	99.5	110.6
Mining of coal and lignite	26.1	28.0	42.4	76.9
Mining of metal ores	92.1	84.7	127.3	129.0
Other mining and quarrying	152.7	102.2	129.4	136.5
MANUFACTURING	90.6	88.3	95.4	108.3
Manufacture of food products	108.9	104.1	114.3	116.5
Manufacture of beverages	103.3	180.8	126.6	136.2
Manufacture of wearing apparel	237.4	300.0 <sup>1</sup>	243.2	151.8
Manufacture of wood and of products of wood and cork	124.6	138.3	111.7	123.9
Manufacture of paper and paper products	82.2	118.5	73.1	76.4
Printing and reproduction of recorded media	37.2	36.9	37.1	68.0
Manufacture of chemical and chemical products	213.2	247.4	286.2	185.9
Manufacture of basic pharmaceutical products	72.5	62.4	70.5	102.9
Manufacture of rubber and plastic products	79.3	127.0	62.5	64.7
Manufacture of other non-metallic mineral products	111.2	122.1	117.8	116.5
Manufacture of basic metals	39.4	34.8	53.9	80.7
Manufacture of fabricated metal products	55.8	89.7	64.8	79.6
Production of machinery and equipment, not mentioned elsewhere	125.2	88.0	126.4	157.7
Manufacture of furniture	97.1	154.9	83.0	82.8
ELECTRICITY, GAS, STEAM AND AIR COND. SUPPLY	41.8	35.6	53.0	75.8
Electricity, gas, steam and air conditioning supply	41.8	35.6	53.0	75.8

Source: MONSTAT

**Table 3: Indices of industrial production - Previous year = 100**

	Total	Mining and quarrying	Manufacturing	Electricity, gas, steam and airconditioning supply
2001	99.3	88.5	101.6	93.9
2002	100.6	107.5	102.3	93.4
2003	102.4	101.4	97.9	117.5
2004	113.8	94.9	113.1	121.0
2005	98.1	100.2	102.5	86.6
2006	101.0	102.9	100.1	103.1
2007	100.1	101.5	109.3	72.6
2008	98.0	117.7	88.7	131.9
2009	67.8	34.5	61.4	97.6
2010	117.5	158.7	97.0	151.1
2011	89.7	106.3	106.8	67.3
2012	92.9	79.0	89.9	101.4
2013	110.6	98.6	95.0	138.7
2014	88.6	114.4	93.3	80.4
2015	107.9	91.9	119.9	94.1
2016	95.6	81.9	92.2	103.5
2017	95.8	213.9	97.0	75.4
2018	122.4	78.7	112.1	162.1
2019	93.7	120.8	90.0	92.9
2020	99.1	107.2	99.5	96.2
2021	104.9	75.6	109.1	108.5
2022	96.7	108.9	100.3	89.2
2023*	106.4	103.9	93.9	126.2
<u>Q1 2024</u>	104.9	119.7	123.0	89.5
<u>Q1 2023</u>				
<u>Q2 2024</u>	79.4	99.5	95.4	53.0
<u>Q2 2023</u>				

\* Preliminary data

Source: MONSTAT

**Table 4: Industrial output**

2024	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
Chain index	85.1	109.8	107.1	64.9	76.6	120.0						
ø 2023 = 100	100.2	110.0	117.8	76.4	58.5	70.2						
Month-on-month	109.4	90.8	117.9	95.5	66.9	77.1						
Year-on-year	98.8	104.9	103.1	96.5	93.3							

**Table 5: Consumer prices**

2024	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
Chain index	100.5	100.4	100.5	100.1	100.1	100.1						
ø 2023 = 100	102.1	102.5	103.0	103.1	103.2	103.3						
Month-on-month	104.4	104.3	105.5	105.4	104.9	104.1						
Year-on-year	104.3	104.7	104.9	104.9	104.8							

**Table 6: Producers' prices of manufactured products**

2024	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
Chain index	100.1	99.5	100.2	100.4	100.4	100.6						
ø 2023 = 100	102.2	101.7	101.9	102.3	102.8	103.3						
Month-on-month	102	101.2	101.8	102.3	103.7	104.1						
Year-on-year	101.6	101.7	101.8	102.2	102.5							

Source: MONSTAT

**Table 7: Prices**

	Consumer prices		Producer's prices of industrial products		Export producer prices of industrial products		Import industrial product prices		
	Total		Total		Total		Total		
	Annual growth rate	Monthly growth rate	Annual growth rate	Monthly growth rate	Annual growth rate	Monthly growth rate	Annual growth rate	Monthly growth rate	
2021	Jan	-0.7	0.3	-0.2	0.7	2.8	1.8	-0.6	2.4
	Feb	-0.1	0.5	0.9	0.3	6.0	1.7	1.7	1.3
	Mar	0.8	0.6	1.6	0.6	11.5	2.8	4.9	1.8
	Apr	2.2	0.6	2.2	0.4	12.2	-1.1	6.8	-0.2
	May	2.4	0.3	2.2	0.2	15.4	2.0	9.9	1.6
	Jun	2.4	0.2	1.0	-0.7	16.6	2.7	10.5	1.4
	Jul	3.1	0.3	0.2	-1.0	15.4	-0.8	10.3	0.7
	Aug	3.1	0.1	-0.5	-0.5	17.0	2.5	10.5	0.2
	Sep	2.9	0.5	0.5	0.4	20.6	4.8	10.6	0.1
	Oct	3.8	0.7	1.5	1.7	25.3	4.5	12.5	2.0
	Nov	4.4	0.3	2.7	0.7	28.2	3.2	13.9	1.1
	Dec	4.6	0.3	3.4	0.5	33.3	5.2	12.7	-0.4
2022	Jan	5.7	1.3	5.6	2.9	38.2	5.5	10.2	0.1
	Feb	6.7	1.5	5.9	0.6	34.7	-0.8	12.1	3.0
	Mar	9.7	3.4	6.5	1.3	36.2	4.0	16.2	5.6
	Apr	11.2	1.9	10.4	4.0	43.6	4.3	19.5	2.6
	May	11.7	0.8	13.0	2.5	43.4	1.8	16.9	-0.6
	Jun	13.5	1.8	11.1	-2.4	40.8	0.9	14.9	-0.4
	Jul	14.9	1.5	13.2	0.9	41.8	-0.1	14.3	0.2
	Aug	15.0	0.2	14.0	0.2	36.9	-1.1	12.5	-1.4
	Sep	16.0	1.4	15.7	1.1	26.9	-2.8	10.5	-1.7
	Oct	16.8	1.4	13.1	0.2	15.2	-5.2	10.5	2.0
	Nov	17.5	0.9	13.7	1.3	10.5	-1.0	9.3	0.1
	Dec	17.2	0.1	12.1	-0.8	1.5	-3.4	8.7	-1.0
2023	Jan	16.2	0.4	12.9	3.5	-3.7	0.1	11.7	2.9
	Feb	15.1	0.5	12.5	0.3	-3.0	-0.1	8.6	0.3
	Mar	10.5	-0.7	10.7	-0.4	-5.8	0.9	2.9	0.0
	Apr	8.6	0.2	10.7	-0.4	-11.1	-1.6	0.1	-0.2
	May	8.4	0.5	2.8	-1.0	-13.0	-0.4	-0.8	-1.4
	Jun	7.5	0.9	5.5	0.2	-14.1	-0.3	3.1	3.5
	Jul	6.9	1.0	5.4	0.8	-14.8	-0.9	-0.2	-3.0
	Aug	8.6	1.7	4.3	-0.9	-13.3	0.7	2.5	1.3
	Sep	7.9	0.8	4.0	0.8	-10.3	0.5	6.1	1.7
	Oct	6.1	-0.3	3.1	-0.6	-5.6	-0.2	4.1	0.1
	Nov	4.8	-0.3	2.4	0.6	-4.3	0.4	2.6	-1.2
	Dec	4.3	-0.5	5.5	2.2	-1.0	-0.1	2.7	-0.9
2024	Jan	4.4	0.5	2.0	0.1	-1.2	-0.1	-0.4	-0.3
	Feb	4.3	0.4	1.2	-0.5	0.4	1.6	0.0	0.6
	Mar	5.5	0.5	1.8	0.2	0.6	1.1	0.2	0.2
	Apr	5.4	0.1	2.3	0.4	3.5	1.2	0.6	0.2
	May	4.9	0.1	3.7	0.4	5.6	1.6	1.8	-0.2
	Jun	4.1	0.1	4.1	0.6	7.0	1.0	-1.5	0.1

Source: MONSTAT

**Table 8: Tourism (collective accommodation)\***

		2023		2024		Index		Structure
		VI	I-VI	VI	I-VI	I-VI 2024 I-VI 2023		
Arrivals	Total	302,572	878,019	317,998	885,186	0.82	100.0	
	Domestic	19,171	76,704	19,178	77,508	1.05	8.8	
	Foreign	283,401	801,315	298,820	807,678	0.79	91.2	
Overnights	Total	1,826,440	5,444,539	1,874,198	5,098,139	-6.36	100.0	
	Domestic	75,301	250,354	80,162	271,678	8.52	5.3	
	Foreign	1,751,139	5,194,185	1,794,036	4,826,461	-7.08	94.7	

\* Preliminary data.

Source: MONSTAT

**Table 9: Number of employed and unemployed people**

	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
Employed <sup>1</sup>												
2011 <sup>3</sup>	157,849	158,010	158,842	159,669	162,905	168,195	170,618	167,955	164,386	163,396	162,712	162,450
2012	160,880	162,035	162,569	163,744	165,776	162,567	173,124	173,024	169,877	168,701	168,589	167,484
2013	167,370	167,379	167,738	170,302	174,369	179,861	178,815	176,588	171,440	169,044	167,607	167,173
2014	167,616	168,805	170,177	172,202	174,917	179,774	181,408	178,558	173,942	172,306	172,273	171,158
2015	169,719	170,486	171,855	174,208	177,865	180,884	182,444	181,232	177,027	174,761	174,402	172,517
2016	170,434	170,922	172,098	174,700	178,660	183,329	185,659	184,308	180,409	178,629	178,278	177,473
2017	177,058	178,112	179,783	181,687	185,886	188,167	191,770	188,161	184,719	177,369	178,078	177,627
2018	178,160	179,035	181,260	184,039	189,341	196,539	198,987	195,041	195,784	194,555	194,756	194,085
2019	194,589	195,353	197,594	200,595	205,164	213,488	215,181	210,455	205,650	202,787	203,123	198,566
2020	193,423	189,933	187,251	184,607	181,030	178,178	174,170	172,154	168,778	165,961	163,851	160,978
2021 <sup>4</sup>	169,860	172,753	175,149	177,932	180,956	185,344	189,975	193,449	198,549	202,981	209,323	211,302
2022	212,046	212,959	214,917	217,520	222,901	230,765	235,343	230,984	226,500	226,341	227,500	227,151
2023	230,057	232,461	234,839	238,455	244,245	252,734	258,024	253,581	248,834	247,125	247,003	246,449
2024	247,105	248,432	251,108	252,985	257,521	265,527						
Unemployed <sup>2</sup>												
2011	32,829	33,062	32,748	32,203	30,920	29,816	29,128	29,078	29,404	30,108	30,576	30,552
2012	31,339	31,495	31,562	31,320	30,126	29,411	28,686	28,549	28,272	29,540	30,718	31,168
2013	31,890	32,648	32,986	32,624	31,363	30,337	30,102	30,947	30,919	33,271	34,680	34,514
2014	34,804	34,664	34,671	33,906	32,763	31,570	31,115	31,163	31,584	33,744	34,733	34,687
2015	35,152	35,172	34,903	33,975	32,347	31,092	31,277	33,073	33,773	36,363	37,930	39,991
2016	41,191	42,616	42,406	41,478	40,242	39,983	40,123	41,088	42,483	45,273	47,757	49,487
2017	51,148	52,241	52,905	52,856	51,258	46,781	46,876	49,058	48,752	50,752	52,226	51,262
2018	48,580	47,487	46,979	45,003	43,692	42,737	41,755	41,012	39,902	41,927	42,889	41,378
2019	38,917	38,642	38,570	38,102	36,658	35,292	34,576	34,355	33,675	35,993	37,924	37,616
2020	35,609	35,582	35,515	40,361	42,194	41,890	42,367	43,065	43,383	44,811	47,053	47,509
2021	47,257	52,437	55,283	56,431	56,385	55,703	54,697	53,986	53,958	55,241	55,956	57,386
2022	56,233	55,462	53,409	50,552	47,584	46,159	45,116	44,449	44,265	44,923	46,389	46,596
2023	44,786	44,632	43,857	42,594	41,415	40,304	38,733	38,108	37,649	39,128	40,378	39,942
2024	38,161	38,014	37,128	36,421	35,415	34,715						

<sup>1</sup> Source: MONSTAT

<sup>2</sup> Source: Employment Agency of Montenegro

<sup>3</sup> Since April 2010, data have been obtained from the Central Register of Tax Administration (CRTA).

<sup>4</sup> Data on the number of employees for 2021 have been revised. Source: Monstat <https://www.monstat.org/eng/novosti.php?id=3415>

## Annex B

Table 10: Balance sheet of banks, EUR thousand

	2023			2024			Structure in % at 30.06.2024.
	III	VI	X	XII	III	VI	
	1	2	3	4	5	6	6.4
<b>ASSETS</b>							
1. Cash and deposits with central banks	1,394,283	1,313,643	1,369,239	1,244,879	924,838	901,545	72.4
2. Loans	3,837,593	3,984,166	3,994,520	4,095,206	4,259,614	4,482,976	109.5
2.1. Value adjustment of loans	144,740	143,834	134,399	136,116	136,728	135,205	99.3
2.2. Net loans	3,692,853	3,840,332	3,860,121	3,959,089	4,122,887	4,347,771	109.8
3. Securities	1,083,214	1,150,046	1,335,960	1,312,019	1,349,340	1,235,925	94.2
4. Derivative financial assets	44	266	547	36	26	20	55.6
5. Other assets	276,654	261,625	275,676	280,446	286,913	284,656	101.5
6. Value adjustment of other assets	63,801	61,354	62,658	62,205	62,846	62,884	101.1
<b>TOTAL ASSETS</b>	<b>6,383,247</b>	<b>6,504,558</b>	<b>6,778,885</b>	<b>6,734,264</b>	<b>6,621,158</b>	<b>6,707,033</b>	<b>99.6</b>
<b>LIABILITIES</b>							
1. Deposits	5,189,514	5,270,462	5,524,760	5,473,183	5,333,294	5,383,359	98.4
2. Borrowings	286,917	277,062	229,045	216,080	239,142	253,366	117.3
3. Securities issued	0	0	0	0	0	0	0.0
4. Financial derivatives	311	316	38	2,410	1,602	997	41.4
5. Other liabilities	191,053	201,036	216,563	222,314	227,379	235,001	105.7
6. Total capital	715,452	755,682	808,479	820,277	819,741	834,310	101.7
<b>TOTAL LIABILITIES</b>	<b>6,383,247</b>	<b>6,504,558</b>	<b>6,778,885</b>	<b>6,734,264</b>	<b>6,621,158</b>	<b>6,707,033</b>	<b>99.6</b>

## Annex C

**Table 11: Auctions of treasury bills in 2024, in EUR 000**

Maturity of issued treasury bills, number of days	Issue date	Issued	Sold	Total demand	Weighted average interest rate (annual)
2024					
Total for 2024	Number of auctions	Issued	Sold	Demand	
	0	0.00	0.00	0.00	

Source: CBCG

## Annex D

**Table 12: Consolidated public consumption<sup>1</sup> in Montenegro 01.01.2024 - 30.06.2024**

DESCRIPTION	Realization I-VI 2023 in mil EUR	Plan I-VI 2024 in mil EUR	Realization I-VI 2024 in mil EUR	Participation in GDP, %	Realization in relation to plan I-VI 2024 Index	Realization in relation to I-VI 2023 Index
<b>PUBLIC REVENUES</b>	1,382.51	1,407.24	1,497.54	20.57	106.42	108.32
Taxes	880.50	988.88	1,055.46	14.50	106.73	119.87
Personal income tax	57.84	74.22	83.88	1.15	113.02	145.03
Corporate profit tax	131.60	141.23	191.19	2.63	135.37	145.28
Property tax	26.62	26.00	27.19	0.37	104.58	102.14
Property turnover tax	12.08	10.00	11.49	0.16	114.91	95.11
Value added tax	475.59	536.61	535.96	7.36	99.88	112.69
Excises	136.71	156.27	160.22	2.20	102.53	117.20
Tax on international trade and transactions	24.48	26.85	27.25	0.37	101.48	111.28
Local taxes and other Equalization fund revenues	9.20	11.07	11.35	0.16	102.61	123.47
Other state taxes	6.37	6.64	6.93	0.10	104.35	108.74
Contributions	241.41	253.78	265.96	3.65	104.80	110.17
Contributions for pension and disability insurance	220.75	234.70	244.10	3.35	104.01	110.58
Contributions for health insurance	3.06	1.31	2.31	0.03	176.79	75.44
Contributions for unemployment insurance	10.06	9.96	11.38	0.16	114.23	113.18
Other contributions	7.54	7.81	8.16	0.11	104.46	108.24
Duties	8.73	9.60	9.09	0.12	94.64	104.12
Fees	65.46	64.15	60.79	0.84	94.76	92.87
Other revenues	119.48	42.79	59.35	0.82	138.69	49.68
Receipts from repayment of loans	0.13	0.00	0.10	0.00		74.02
Donations	66.81	48.03	46.79	0.64	97.43	70.04
<b>PUBLIC EXPENDITURES</b>	1,212.38	1,559.66	1,454.73	19.98	93.27	119.99
Current expenditures	524.67	629.78	570.11	7.83	90.52	108.66
Gross salaries and contributions charged to employer	345.94	374.56	370.93	5.10	99.03	107.22
Other personal earnings	9.64	13.86	11.08	0.15	79.96	114.95
Expenditures for supplies and services	52.29	67.57	50.14	0.69	74.21	95.89
Expenditures for current maintenance	11.84	19.25	12.38	0.17	64.32	104.63
Interest	50.07	66.84	61.83	0.85	92.50	123.50
Rent	5.10	7.41	5.64	0.08	76.19	110.71
Subsidies	24.23	32.27	26.42	0.36	81.88	109.07
Other current expenditures	25.57	48.02	31.68	0.44	65.97	123.88
Social security transfers	392.15	498.93	484.15	6.65	97.04	123.46
Transfers to institutions, individuals, NGOs and public sector	182.35	248.82	229.27	3.15	92.14	125.73
Capital expenditures	74.09	129.05	120.50	1.66	93.38	162.64
Borrowings and loans	0.04	0.00	0.41	0.01		1,165.10
Reserves	7.90	23.62	16.26	0.22	68.84	205.68
Repayment of guarantees	1.17	0.00	2.30	0.03	115.06	196.86
Repayment of liabilities from the previous period	30.01	29.46	31.73	0.44	107.70	105.75
<b>DEFICIT/SURPLUS<sup>2</sup></b>	170.13	-152.43	42.81	0.59	-28.09	25.16
Debt repayment to residents	61.41	169.74	168.39	2.31	99.21	274.22
Debt repayment to non-resident <sup>3</sup>	105.03	159.04	147.11	2.02	92.50	140.07
Expenditures for purchase of securities	0.61	2.20	3.27	0.04	0.00	531.18
Borrowings and loans	6.99	2.58	4.79	0.07	185.48	68.53
Privatisation revenues	3.92	7.00	4.45	0.06	63.56	113.60
Receipts from repayment of loans	8.51	4.31	10.16	0.14	235.83	119.29
Transfers	5.94	5.00	9.48	0.13	189.54	159.42
Borrowings and loans from foreign sources	116.51	688.40	700.23	9.62	101.72	601.02
Borrowings and loans from domestic sources	1.40	2.00	0.49	0.01	24.27	34.68
Deposit increase/decrease	-132.38	-220.72	-444.05	-6.10	0.00	335.45
<b>GDP</b>			7,279.7			

<sup>1</sup> Consolidated public consumption includes budget revenues and expenditures, local self-government and state funds.

<sup>2</sup> Deficit/Surplus as difference between public revenues and public expenditures.

Source: Ministry of Finance