

# EXTERNAL SECTOR

07



## 7.1. Balance of payments

In the period January - March 2025, the current account deficit run a deficit, while the financial account recorded decrease in net capital outflow. The current account deficit in Q1 2025 was 508.26 million euros and increased by 15.39% compared to the same period of the previous year (with which all comparisons in this part of the report were made). It resulted mainly from the increase in imports and lower surplus at the secondary income sub-account. On the financial account, decreased net capital inflow was mainly from negative trends in portfolio investments sub-account. They resulted from of a net outflow due to the repayment of government bonds during the observed period (while a significant net inflow was recorded in the comparative period of the previous year, as a result of the issuance of government bonds on the international capital market).

The current account deficit was primarily driven by the goods account deficit, which amounted to 749.66 million euros and was higher by 9.84%. The increase in the goods deficit resulted from a higher nominal growth in goods imports compared to exports; goods imports totalled 911.12 million euros, an increase of 71.89 million euros or 8.57%, mainly due to higher imports of electricity and motor vehicles. At the same time, total visible exports amounted to 161.46 million euros, which represents a growth of 4.70 million euros or 3% year-on-year, and it was mainly caused by the growth of the export of non-ferrous metals, electricity and metalliferous ores and metal scrap.

During the reporting period, the services account recorded a surplus in the amount of 115.34 million euros. At the same time, the services account saw a 1.22 % growth in revenues and 2.47% growth in expenditure, which resulted in the total volume of service trade of 615.64 million euros in Q1 2025, which is 1.72% more year-over-year.

The primary and secondary income accounts ran a surplus. The surplus on primary income sub-accounts amounted to 31.15 million euros, which represents an increase of 20.75% compared to the previous year. This income resulted from an increase in revenues from international investments which amounted to 20.71 million euros. The secondary income account recorded a surplus of 94.91 million euros, which represents an annual decrease of 4.38%, and is largely the result of a decrease in income and increased expenditures of state. Inflows from remittances (which one part is formed at the primary income account and the other at the secondary income account) amounted to 209.99 million euros, which is an increase of 9.43%.

The financial income account saw increased net FDI inflow, portfolio investments recorded net outflow, while other investments recorded net inflow. Total net FDI inflow amounted to 122.24 million euros, showing an increase of 3.98%. This growth was from the increased inflow from real estate (of 19.70 million euros or 21%). Portfolio investments saw a net outflow of 66.47 million euros. while the other investments account registered a net inflow of 24.94 million euros.

Table 7.1

Balance of Payments of Montenegro, in thousand euros <sup>60</sup>				
No.	Item	January – March 2024	January – March 2025	Change in %
1	A. CURRENT ACCOUNT	-440,459.24	-508,256.29	15.39
1.A	GOODS AND SERVICES BALANCE	-565,518.74	-634,319.25	12.17
1.A.a	Goods	-682,474.05	-749,657.99	9.84
1.A.a.1	Exports f.o.b.	156,755.53	161,460.49	3.00
1.A.a.2	Imports f.o.b.	839,229.58	911,118.48	8.57
1.A.b	Services	116,955.30	115,338.74	-1.38
1.A.b.1	Revenues	361,080.73	365,491.86	1.22
1.A.b.2	Expenditures	244,125.43	250,153.12	2.47
1.B	Primary income	25,798.04	31,150.98	20.75
1.B.1	Revenues	106,959.83	119,531.85	11.75
1.B.2	Expenditures	81,161.79	88,380.87	8.89
1.C	Secondary income	99,261.47	94,911.98	-4.38
1.C.1	Revenues	126,210.24	128,867.82	2.11
1.C.2	Expenditures	26,948.77	33,955.84	26.00
2	CAPITAL ACCOUNT	-1.19	-1,046.23	87,839.92
2.A	Revenues	0.00	0.00	
2.B	Expenditures	1.19	1,046.23	87839.92
	CURRENT AND CAPITAL ACCOUNT BALANCE	-440,460.43	-509,302.52	15.63
3	FINANCIAL ACCOUNT, net	-438,020.35	-502,637.78	14.75
3.A	Financial assets net increase	361,699.17	-418,795.01	-215.79
3.B	Liabilities net increase	799,719.51	83,842.75	-89.52
3.1	Direct investments, net	-117,561.47	-122,238.05	3.98
3.1.1	Financial assets net increase	20,149.47	20,604.01	2.26
3.1.2	Liabilities net increase	137,710.94	142,842.06	3.73
3.2	Portfolio investments, net	-678,880.79	66,472.63	
3.2.1	Financial assets net increase	-149.82	35,216.82	
3.2.2	Liabilities net increase	678,730.97	-31,255.81	
3.3	Financial derivatives, net	-3,554.17	-10,655.73	199.81
3.3.1	Financial assets net increase	-3,541.12	-10,110.67	185.52
3.3.2	Liabilities net increase	13.05	545.06	4,075.35
3.4	Other investments, net	-59,127.31	-24,935.21	-57.83
3.4.1	Financial assets net increase	-75,862.76	-53,223.76	-29.84
3.4.2	Liabilities net increase	-16,735.45	-28,288.55	69.03
3.5	CBCG reserves (changes)	421,103.39	-411,281.42	
4	NET ERRORS AND OMISSIONS (3-2-1)	2,440.08	6,664.74	173.14

Source: CBCG

<sup>60</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.

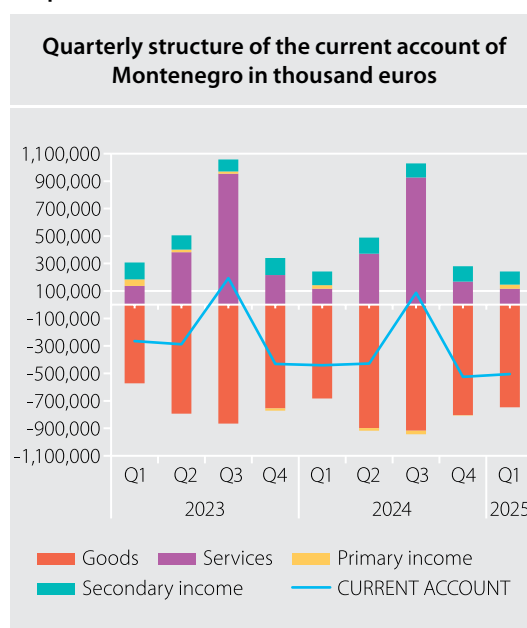
## 7.1.1. Current and capital accounts

In Q1 2025, a deficit on the current and capital account of Montenegro amounted to 509.30 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 749.66 million euros, while the deficit in the visible and invisible trade amounted to 634.32 million euros and increased by 68.80 million euros as a result of a larger deficit on the goods account (by 67.18 million euros) and decreased surplus on the services account (by 1.62 million euros). The degree of coverage of import by visible and invisible exports was 45.38%, which represents a decline of 2.42 pp year-over-year. Primary and secondary income accounts ran a surplus of 126.06 million euros, being approximately the same as during the reporting period.

### 7.1.1.1. Visible trade<sup>61</sup>

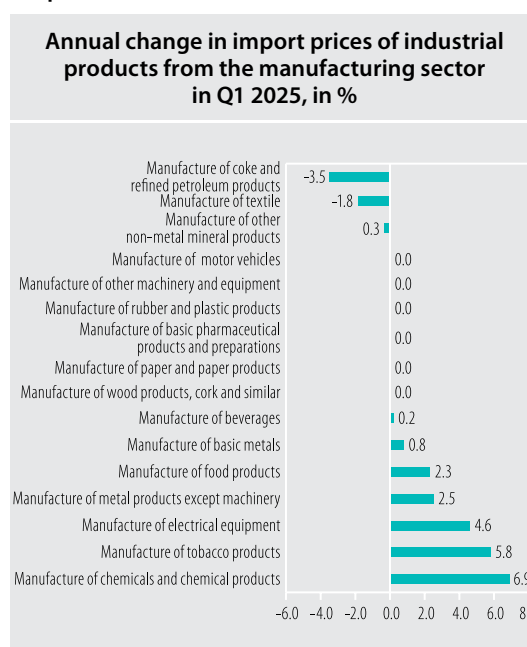
During the Q1 of 2025, according to preliminary MONSTAT data, there was an increase in the total international visible trade by 1,084.18 million euros or 6.83%, as a result of growth in imports by 70.04 million euros or 8.11% despite the insignificant decline in exports (by 0.68 million euros or 0.45%). The increase in import value mainly resulted from a slight rise in import prices of industrial products from the manufacturing sector, which grew by a total of 0.9% (due to unchanged prices of certain product types). However, for some categories of goods that have a significant share in Montenegro's import structure, the increase was considerably higher (graph 7.2)<sup>62</sup>. As a result, when observed by consumption purpose, prices of durable consumer goods increased by 8.1% year-on-year, while prices of non-durable consumer goods rose by 3.1%.

Graph 7.1



Source: CBCG

Graph 7.2

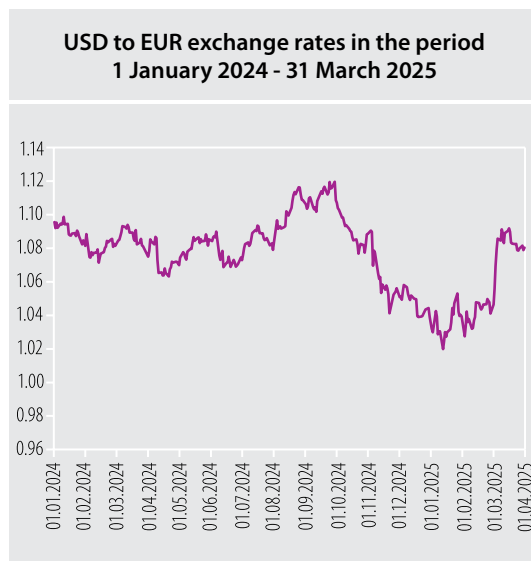


Source: MONSTAT, Preliminary data

<sup>61</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.

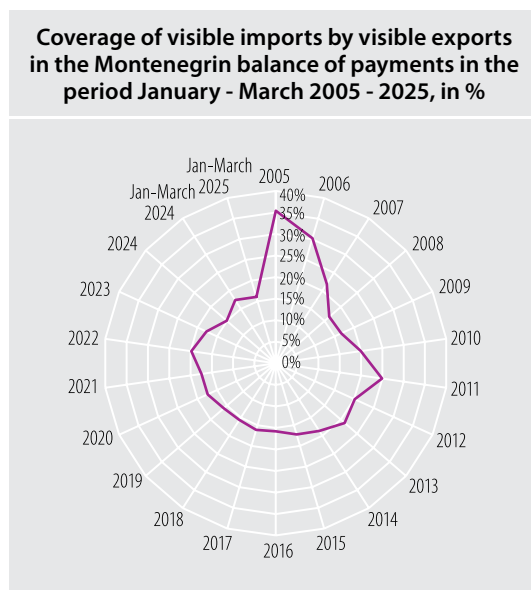
<sup>62</sup> Note: The categorisation of goods in graph 7.1 is not identical to the categorisation according to the SITC, which is used to present the import structure in the following section of this report.

Graph 7.3



Source: ECB

Graph 7.4



Source: MONSTAT and CBCG calculations

The structure of exports shows that the most exported products were from the aforementioned category *mineral fuels and lubricants* whose export accounted for 32.49% of total exports (11.46 pp more than a year ago). Within this category, export of electricity amounted to 42.39 million euros (59.84%). Furthermore, in the structure of exports, the most exported products were *raw materials except fuels*, whose exports amounted to 26.99 million euros (17.98% of total exports), which represents an increase

The increase in import prices resulted partly from the euro's appreciation against some of the world's major trading currencies during the first quarter of 2025 (USD +4.46%, Swiss franc +1.73%, and British pound +1.18%). The euro's appreciation resulted from growing uncertainty caused by conflicting announcements and the actual tightening of US customs policy. Given that Montenegro, due to euroization, conducts most of its foreign trade payments in euros, the euro's appreciation did not have a direct impact on the increase in Montenegrin import prices. However, an indirect impact was present, as the stronger euro raised import prices of producers in the countries from which a significant portion of Montenegro's total imports originates, as explained below (graph 7.3).

In the reporting period, the coverage of imports by exports of goods decreased to 16.07%, representing a decline of 1.38 percentage points compared to the coverage in the corresponding period (graph 7.4).

Total visible exports, according to the SITC, amounted to 150.11 million euros and it dropped by 0.45% year-over-year. Observed by the categories of SITC<sup>63</sup> (table 7.2), the fall of the total export was primarily affected by the export of goods under the category *machinery and transport equipment*<sup>64</sup>. At the same time, the total visible exports in this category amounted to 23.82 million euros and it declined by 14.64 million euros or 38.05% y-o-y. The recorded trend results from a decreased exports in the other transport facilities and equipment, where the value of exported goods amounted to 14.22 million euros, which represents a decrease of 12.42 million euros or 46.63% y-o-y.

<sup>63</sup> Standard International Trade Classification.

<sup>64</sup> The largest part of the exports in the category machinery and transport equipment in 2024 referred to the temporary exports for the purpose of passive outward processing.

of 1.90 million euros. In this category, the most represented are metalliferous ores and metal scrap whose exports amounted to 19.60 million euros, and cork and wood with exports of 6.46 million euros. *Machinery and transport equipment* accounted for a significant share of exports (15.87%) as their export amounted to 23.82 million euros, but this is still 14.64 million euros less y-o-y, which means that the share of this category in total exports declined by 9.63 pp<sup>65</sup>.

Table 7.2

Structure of visible exports from Montenegro, in thousand euros							
			Share		Change	Nominal difference	
	January-March 2024 (in 000 euros)	January-March 2025 (in 000 euros)	January-March 2024 (in %)	January-March 2025 (in %)	January-March 2025 (in %)	January-March 2025 (in 000 euros)	
0	Food and live animals	10,848.87	11,105.03	7.19%	7.40%	2.36%	256.16
1	Beverages and tobacco	7,636.67	4,359.98	5.06%	2.90%	-42.91%	-3,276.69
2	Raw materials, except fuels	25,087.41	26,990.61	16.64%	17.98%	7.59%	1,903.20
3	Mineral fuels and lubricants	31,711.34	48,767.26	21.03%	32.50%	53.78%	17,055.92
4	Animal and vegetable oils and fats	302.33	277.57	0.20%	0.18%	-8.19%	-24.76
5	Chemical products	14,192.97	16,713.72	9.41%	11.13%	17.76%	2,520.75
6	Products classified by materials	17,428.33	9,466.77	11.56%	6.31%	-45.68%	-7,961.56
7	Machinery and transport equipment	38,460.68	23,824.72	25.51%	15.87%	-38.05%	-14,635.96
8	Various final products	5,127.21	8,607.89	3.40%	5.73%	67.89%	3,480.68
9	Products and transactions, otherwise not mentioned	0.02	-	0.00%	0.00%	-100.00%	-0.02
TOTAL:		150,795.83	150,113.55	100.00%	100.00%	-0.45%	-682.28

Source: MONSTAT and CBCG calculations

Total visible imports, according to the SITC, amounted to 934.07 million euros and it rose 8.11% year-over-year. The increase in imports in relation to the previous year, viewed by the SITC categories (table 7.3), was mostly affected by the growth of imports of *machinery and transport equipment* (241.87 million euros) of 21.20 million euros or 9.61%. This is largely the result of an increased imports in the subcategory *road vehicles* (234.94 million euros) by 13.15 million euros or 15.18 % more than in the comparative period. The import increase in this category resulted significantly from the increased imports in sub-category *electrical machines, apparatus and devices* by 26.86% to the level of 47.68 million euros.

The imports in the category *machinery and transport equipment* also had the most significant share in the structure of total imports by SITC (of 25.89%), which is by 0.35 pp more compared y-o-y. It is followed by products of the *food and live animals* category (18.43%), which were imported in the amount of 172.13 million euros, which represents an increase of 12.04 million euros or 7.52% compared to Q1 2024. With the respective shares of 37.58 million euros and 28.26 million euros, *meat and meat preparations* and *vegetables and fruits* were the most significant sub-categories within this category. Another category that had a significant share in imports was *products classified by materials* with 141.66 million euros or 15.17%. The recorded value of imported products in the subcategory *non-metal mineral products* increased 3.69% and reached 39.50 million euros, while the imports in the subcategory *manufactures of metals* amounted to 34.60 million euros, which represents an increase of 2.63% y-o-y.

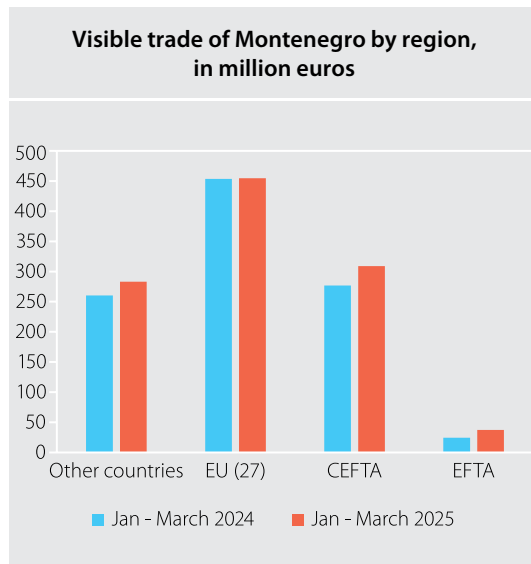
<sup>65</sup> The largest part of the exports in the category machinery and transport equipment referred to the temporary exports for the purpose of passive outward processing.

Table 7.3

Structure of visible imports in Montenegro, in thousand euros							
				Share		Change	Nominal difference
		January-March 2024 (in 000 euros)	January-March 2025 (in 000 euros)	January-March 2024 (in %)	January-March 2025 (in %)	January-March 2025 (in %)	January-March 2025 (in 000 euros)
0	Food and live animals	160,097.52	172,133.33	18.53%	18.43%	7.52%	12,035.81
1	Beverages and tobacco	25,807.30	28,331.03	2.99%	3.03%	9.78%	2,523.73
2	Raw materials, except fuels	9,087.36	7,410.60	1.05%	0.79%	-18.45%	-1,676.76
3	Mineral fuels and lubricants	70,982.32	85,155.63	8.22%	9.12%	19.97%	14,173.31
4	Animal and vegetable oils and fats	3,834.07	4,874.19	0.44%	0.52%	27.13%	1,040.12
5	Chemical products	110,134.54	120,501.16	12.75%	12.90%	9.41%	1,066.62
6	Products classified by materials	142,623.25	141,659.64	16.51%	15.17%	-0.68%	-963.61
7	Machinery and transport equipment	220,675.61	241,873.18	25.54%	25.89%	9.61%	21,197.57
8	Various final products	119,498.94	131,687.72	13.83%	14.10%	10.20%	12,188.78
9	Products and transactions, otherwise not mentioned	1,286.53	441.04	0.14%	0.05%	-65.72%	-845.49
TOTAL:		864,027.44	934,067.52	100.00%	100.00%	8.11%	70,040.08

Source: MONSTAT and CBCG calculations

Graph 7.5



Source: MONSTAT

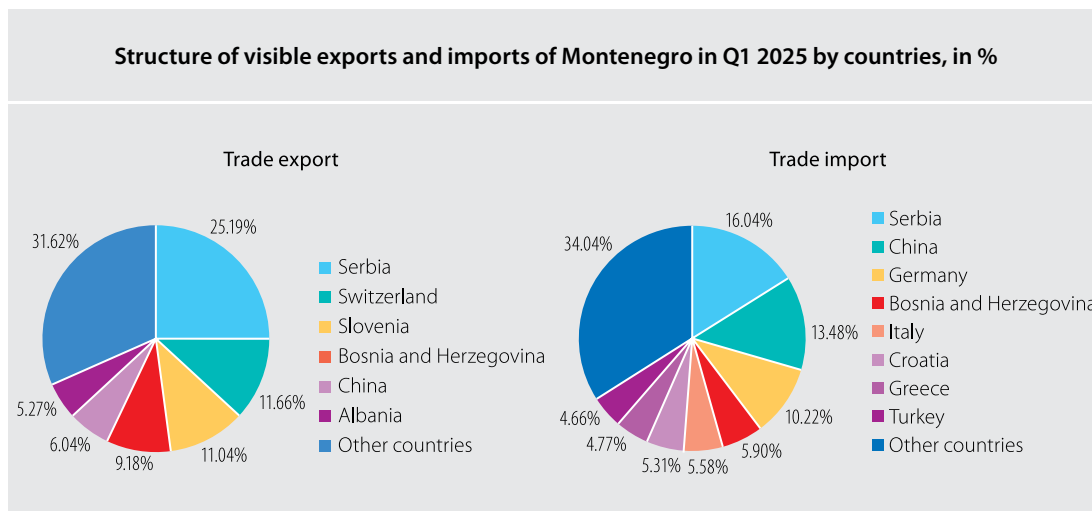
When we talk about exports by region, the main foreign trade partners of Montenegro in the reporting year were the CEFTA<sup>66</sup> countries, where 45.35% of goods were exported, followed by the EU countries with the share of 30.71%, (the largest part of which was electricity), as well as countries of EFTA<sup>67</sup> (11.66%) and other countries (12.28%).

Most goods were imported from the EU (43.74%), then CEFTA and EFTA countries (25.79% and 2.14%, respectively), while 28.33% of goods were imported from other countries (graph 7.5). If we look at the structure of imports, mostly imported goods are oil and oil derivatives as well as road vehicles that came from the EU countries, while electricity, water and livestock were mostly imported from the CEFTA countries. The highest import of category food and livestock was recorded from CEFTA countries.

<sup>66</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>67</sup> The EFTA is international governmental organization consisting of Iceland, Liechtenstein, Norway and Switzerland.

**Graph 7.6**



Source: MONSTAT and CBCG calculations

Individually, the biggest export partners were Serbia (37.82 million euros), Switzerland (17.50 million euros), and Slovenia (16.57 million euros). In terms of imports, Serbia is in first place (149.80 million euros), followed by China (125.92 million euros) and Germany (95.54 million euros), (graph 7.6).

### 7.1.1.2. Services

In the international invisible trade in the period January-March 2025, a surplus was recorded in the amount of 115.34 million euros. The total volume of invisible trade amounted to 615.64 million euros, which is 1.72% more than in Q1 2024.

Total revenues from services amounted to 365.49 million euros and they primarily came from transport (156.47 million euros), (mostly based on electricity transmission) followed by travel-tourism, other business services and telecommunication, computer and information services, construction services and other services (graph 7.5).

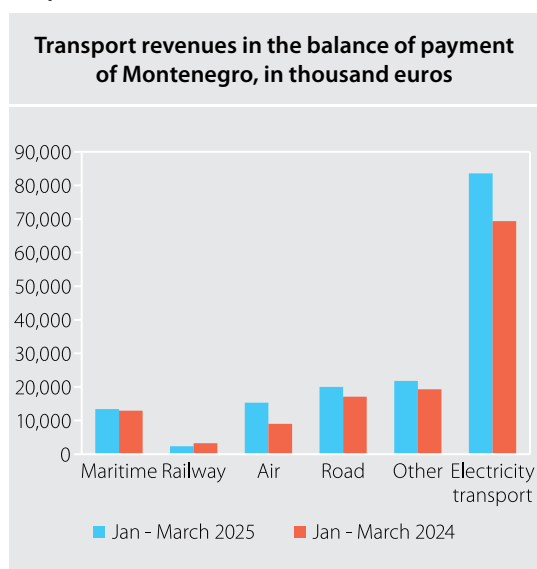
In Q1 2025, expenses from services amounted to 250.15 million euros, recording the year-on-year increase of 2.47%. In the structure of expenditures, the largest share (53.77%) was recorded by expenditures for transport in the amount of 134.51 million euros (mostly from electricity transmission), followed by expenditures for other business services (15.20%) which amounted to 38.04 million euros. Within these services, most of the expenditures were for professional and consulting services (23.36 million euros) followed by technical, trade and other business services (13.05 million euros).

During the reporting period, the transport services account recorded a surplus of 21.96 million euros, increasing year-on-year by 419.14% or 17.73 million euros due to increased surplus at the sub-account pipeline transport and electricity transmission sector, and air transport.

When all types of transport in Q1 2025 are taken into account, the largest invisible trade was recorded on the basis of freight transport, 104.58 million euros for imports and 102.15 million euros for exports, mainly due to the sub-account pipeline transport and electricity transmission sector. Flows recorded from this basis represent 53.39% of total revenues and 51.22% of expenditures from transport services.

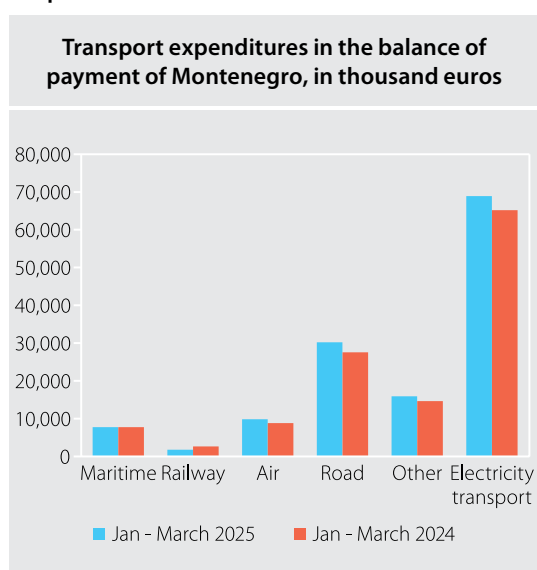
Total transport expenditure amounted to 156.47 million euros or 19.51% more year-over-year (graph 7.7). In the structure of revenues from transport services, road transport accounted for 12.79%, air transport accounted for 9.79%, maritime transport made up 8.58%, railway transport made up 1.52%, while the remaining 13.93 referred to other revenues from transport services (excluding the

Graph 7.7



Source: CBCG

Graph 7.8



Source: CBCG

above-mentioned electricity transmission services). Revenues in road and air transport amounted to 20.02 million euros and 15.32 million euros respectively which was by 16.94% and 69.64% more year-on-year, respectively. Revenues recorded in maritime transport amounted to 13.43 million euros, which is 3.88% more than in the comparative period. On the other hand, railway transport revenues decreased by 26.34% and amounted to 2.37 million euros. Revenues generated from assistance, support and other transport services, amounted to 20.98 million euros or 13.35% more year-on-year. These revenues mostly relate to the rental of vehicles with crew for a specific period, forwarding services and other transport-related services. Postal and courier services, and inland water transport, together accounted for the remaining 0.53%.

Total transport expenditures amounted to 134.51 million euros, which is 7.82 million euros or 6.17% more year-on-year. After the expenditures for electricity transport, the largest expenditures were realized on the basis of road transport, and they accounted for 22.53% of total expenditures (graph 7.8). Next in terms of share are air transport with 7.33%, maritime transport with 5.77% and railway transport with the lowest share in total transport expenditures (1.33%), while expenditures for other transport revenues amounted to 11.82%. Road transport expenditures amounted to 30.30 million euros (a 9.95% increase), air transport expenditures reached 9.86 million euros (a 11.39% increase), while maritime transport expenditures reached 7.76 million euros remaining approximately the same as in the comparable period. Railway transport expenditures amounted to 1.79 million euros and recorded a decline of 33.09%. Expenditures realised from assistance, support and other transport services, amounted

to 15.10 million euros or 10.08% more year-on-year, while the remaining 0.60% referred to inland water transport and postal and courier services.

Construction services account recorded total revenues in the amount of 8.39 million euros (a 14.66% decline year-over-year), while the expenditures for hiring non-resident construction workers amounted to 4.11 million euros (a 1.69% decrease). This resulted in a surplus of 4.28 million euros, which represents a decrease of 24.25% at the annual level.

Revenues from other business services amounted to 49.31 million euros, with the main share of 36.44 million euros coming from the provision of various business, professional and consulting services. Revenues from other business services amounted to 38.04 million euros (or 17.80% less), due to the decreased revenues from technical, trading and other business, professional and consulting services (by 19.95% and 17.55%, respectively). Expenditures on import side, followed by the decline in revenues on this basis of 1.79%, led to a surplus of 11.27 million euros (7.34 million euros increase).

### 7.1.1.3. Primary income

In Q1 2025, primary income account recorded surplus in the amount of 31.15 million euros, which is a year-over-year decline of 20.75%. It resulted from an increase in expenditures from compensations to employees and international investments by 7.86 million euros and 4.72 million euros, respectively.

Revenues recorded on the basis of primary income amounted to 119.53 million euros, which represents a growth of 11.75% compared year-over-year and mainly came from employee compensations (82.67%). The inflow from secondary income amounted to 98.82 million euros (growth of 8.64%). Revenues from international investment income amounted to 20.71 million euros, with the main share (74.85%) coming from interest in the amount of 15.50 million euros (a 12.72% increase year-over-year). Revenues from dividends accounted for 5.19 million euros (25.08%) and increased by 3.03 million euros year-over-year.

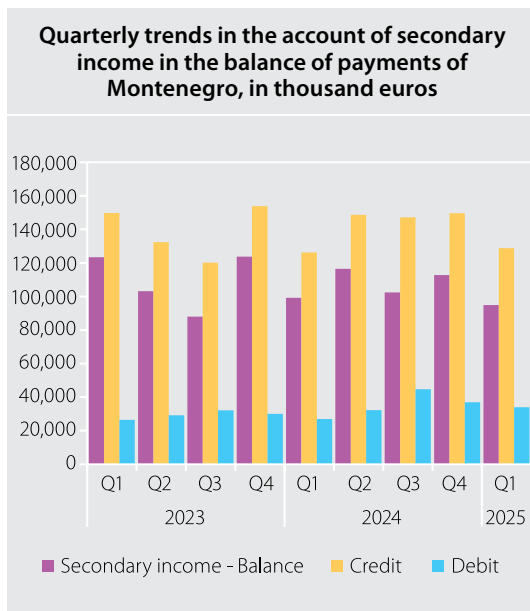
Expenditures for primary income reached 88.38 million euros (a 8.89% year-over-year increase), of which the highest portion of 63.25 million euros or 71.57% were expenditure for international investments and 25.13 million euros or 28.43% were expenditures for compensation to employees. Of total expenditures arising from international investments, interest repayment accounted for 52.13 million euros, which is an increase of 32.41%. Total transport expenditure amounted to 11.13 million euros or 7.93 million euros or 41.60% more year-over-year.

### 7.1.1.4. Secondary income

During the first quarter of 2024, the surplus in the secondary income account amounted to 94.91 million euros, which is by 4.35 million euros less compared year-on-year. This trend mainly results from of a reduced inflow and increased expenditures from government sector.

The inflow from secondary income amounted to 128.87 million euros (growth of 2.11%). In the revenues structure, 120.78 million euros or 93.73% referred to other sectors, while the government sector accounted for a smaller portion of 8.09 million euros and it was 49.23% lower than in the previous period. Of the total inflow of transfers from other sectors, 97.50 million euros were realised based on personal transfers from abroad (an increase of 10.08%), while the inflow based on other current

Graph 7.9



Source: CBCG

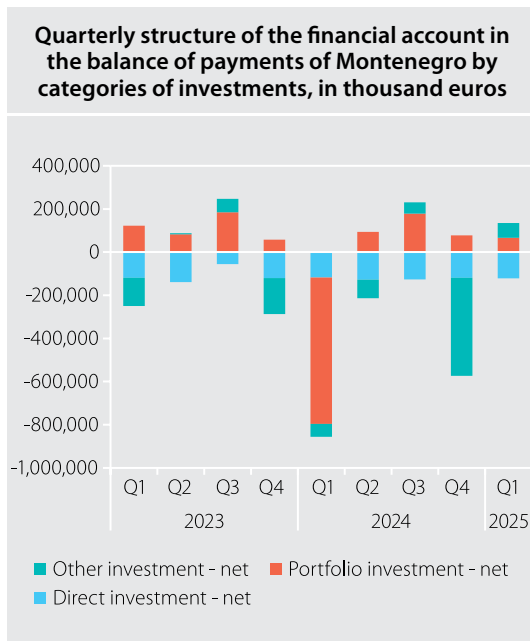
transfers amounted to 23.28 million euros (an increase of 7.22%). The largest part of other current transfers related to social benefits (pensions) and amounted to 13.67 million euros (an increase of 10.60%).

The outflow based on secondary income, i.e. transfers abroad, amounted to 33.96 million euros, which represents an increase of 26% compared to the previous year. The main share of this outflow of 25.06 million euros referred to other sectors, while the government sector accounted for 8.90 million euros. In the total outflow from other sectors, 15.84 million euros were personal transfers that increased 8.29% more year-over-year, while other current transfers amounted to 9.22 million euros (a decrease of 6.32%).

## 7.1.2. Financial Account

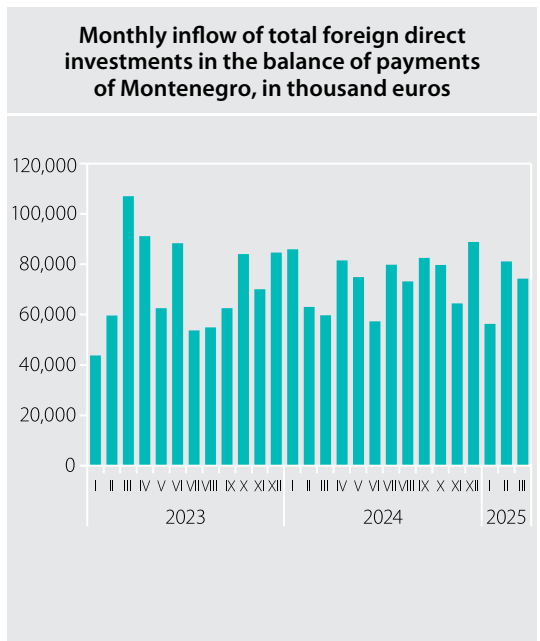
The financial account recorded a net inflow of capital of 502.64 million euros in Q1 2025, which is 64.62 million euros increase y-o-y. This account recorded an increase in net FDI inflow, a decrease in net inflows based on other investments, while portfolio investments account recorded a net outflow

Graph 7.10



Source: CBCG

Graph 7.11



Source: CBCG

(graph 7.10). The sectoral structure shows that the government and banking sectors recorded net outflow from financial transactions, while other financial account sectors recorded net inflow.

The account of direct investments recorded an increase in net inflows. Net FDI inflow amounted to 122.24 million euros or 3.98% more compared to Q1 2024. Total FDI inflow amounted to 211.76 million euros (graph 7.11), while the outflow amounted to 89.52 million euros.

In the reporting period, the total inflow of foreign direct investments increased year-over-year by 2.93 million euros or 1.40%. Inflow based on debt investments (intercompany debt) amounted to 70.11 million euros and decreased by 7.03%, while equity investments amounted to 135.19 million euros and increased by 4.04% compared to Q1 2024.

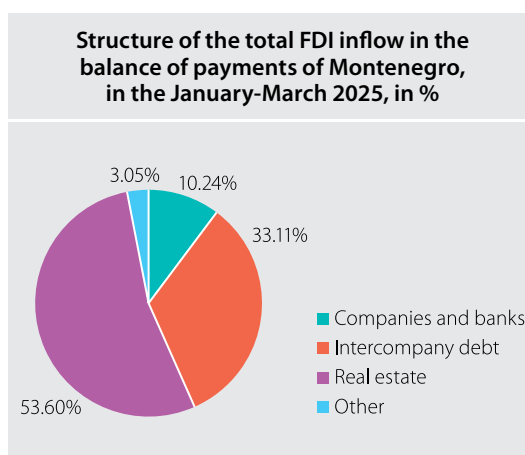
In the structure of equity investments (graph 7.12), 113.51 million euros related to the inflow based on investments in real estates (growth of 21%), while the inflow based on investments in companies and banks amounted to 21.68 million euros (fall of 39.99%). The inflow of FDI in the form of other investments, that is, the inflow based on the withdrawal of investments from abroad, amounted to 6.46 million euros (an increase of 85.59%). The structure of inflow (graph 7.13) did not change significantly, thus investments in real estates remained to be the major part of FDI inflow in the first three months of 2025.

In Q1 2025, total FDI outflow amounted to 89.52 million euros and it decreased by 1.75 million euros or 1.92% more y-o-y. In the structure of total FDI outflow, outflow from residents' investments abroad amounted to 27.06 million euros, while the withdrawal of non-residents' funds invested in Montenegro amounted to 62.46 million euros.

In the portfolio investment account, a net outflow in the amount of 66.47 million euros was recorded in Q1 2025, while in the previous year, a net inflow was recorded from the issuing of state treasury bills at the international capital market.

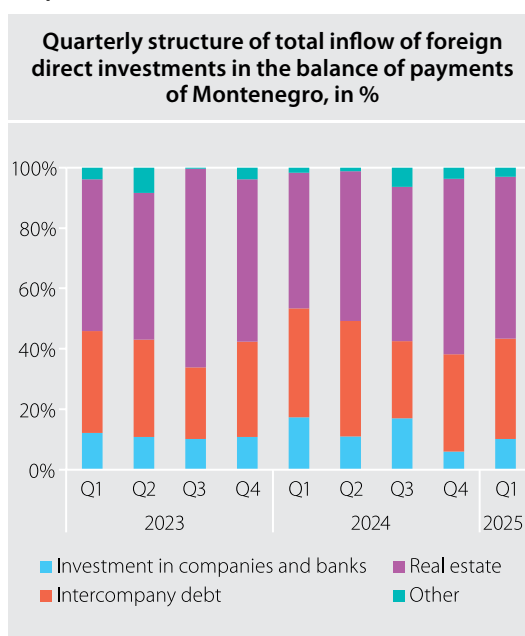
The net outflow on the account of other investments was 24.94 million euros, compared to the net inflow of 59.13 million euros recorded in Q1 2024. Loans are the prevailing instrument at the other investments account. The inflow based on the withdrawal of loan funds by other sectors amounted to 60.26 million euros (an increase of 103.67%), while an outflow was recorded based

**Graph 7.12**



Source: CBCG

**Graph 7.13**



Source: CBCG

on the principal repayment by other sectors in the amount of 37.36 million euros (fall of 24.43%). At the same time, the inflow based on the withdrawal of loan funds by the government amounted to 21.65 million euros (growth of 63.47%), while an outflow based on the principal repayment amounted to 88.12 million euros (with no significant change). At the same time, banks decreased foreign borrowings.

At end-March 2025, the Central Bank's monetary assets in foreign accounts and the vault decreased by 411.28 million euros compared to their balance at 31 December 2024, mainly due to decrease in deposits and investments in securities.

## 7.2. External debt

Preliminary data indicate that the total foreign debt of Montenegro amounted to 9,545.22 million euros at end-Q1 2025<sup>68</sup> which is 124.54 million euros less year-over-year, mainly as a result of the reduction of the external debt of both public and private sectors.

In the structure of Montenegro's external debt, the public sector debt accounted for 44.34% and the private debt accounted for the remaining 55.66% (table 7.4).

**Table 7.4**

The structure of the external debt of Montenegro, in million euros and in %					
	Q1-2024	Q2-2024	Q3-2024	Q4-2024	Q1-2025
Public sector debt	4,259.25	4,194.30	4,147.60	4,288.64	4,232.71
<i>General government</i>	4,156.65	4,091.32	4,046.07	4,183.48	4,129.75
<i>Central bank</i>	102.59	102.98	101.53	105.17	102.96
Private sector debt	5,527.76	5,532.63	5,375.00	5,381.11	5,312.50
<i>Depository institutions</i>	1,518.32	1,530.78	1,411.71	1,539.86	1,555.34
<i>Other sectors</i>	1,705.29	1,699.73	1,670.53	1,660.19	1,653.84
<i>Intercompany borrowings</i>	2,304.15	2,302.12	2,292.76	2,181.06	2,103.32
Total external debt	9,787.01	9,726.93	9,522.60	9,669.76	9,545.22
Structure of external debt, in %					
Public sector debt	43.52	43.12	43.56	44.35	44.34
<i>General government</i>	42.47	42.06	42.49	43.26	43.27
<i>Central bank</i>	1.05	1.06	1.07	1.09	1.08
Private sector debt	56.48	56.88	56.44	55.65	55.66
<i>Depository institutions</i>	15.51	15.74	14.82	15.92	16.29
<i>Other sectors</i>	17.42	17.47	17.54	17.17	17.33
<i>Intercompany borrowings</i>	23.54	23.67	24.08	22.56	22.04
Total external debt	100.00	100.00	100.00	100.00	100.00

Source: CBCG and Ministry of Finance

<sup>68</sup> Data on the debt balance at the quarterly level is published for the first time in September 2022 in accordance with the Calendar of Publication of Statistical Data, <https://www.cbcg.me/en/statistics/release-calendar>

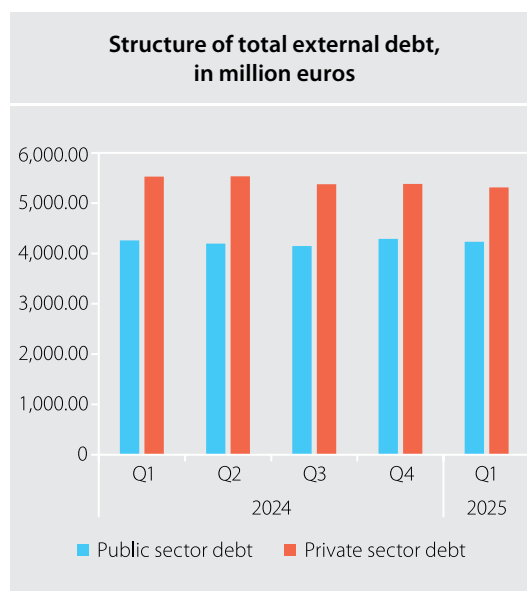
The external debt of the public sector amounted to 4,232.71 million euros (55.93 million euros or 1.30% less compared year-on-year), of which the general government category accounted for 4,129.75 million euros or 97.57%. In the structure of the general government category, the debt balance based on credit liabilities amounted to 1,691.99 million euros while 2,437.76 million euros related to debt based on issued bonds, which accounted for the respective shares of 39.97% and 57.59% of the public sector's external debt. In its structure, the CBCG, i.e., the allocation of SDRs with the IMF accounted for 102.96 million euros or 2.44%.

The external debt of the private sector<sup>69</sup> amounted to 5,312.51 million euros, which is 68.60 million euros less compared to the same period of the previous year (graph 7.14). The largest part of private sector debt was related to loans, 4,029.12 million euros, of which intercompany borrowings amounted to 2,103.32 million euros.

The debt of other sectors amounted to 1,653.84 million or 17.33% of the total external debt of the private sector. The liabilities of depository institutions abroad amounted to 1,555.35 million euros or 16.29% of the total debt of the private sector, of which the largest part related to deposits of 1,259.75 million euros.

The currency structure of the total external debt was dominated by the euro with 95% participation, 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).

**Graph 7.14**



Source: CBCG and Ministry of Finance

## 7.3 International investment position

At the end of Q1 2025, the net international investment position (IIP) of Montenegro was -8,466.81 million euros. Total foreign claims of residents amounted to 5,250.53 million euros, and liabilities amounted to 13,717.34 million euros.

<sup>69</sup> The private sector includes: deposit institutions other than central banks (commercial banks); 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).

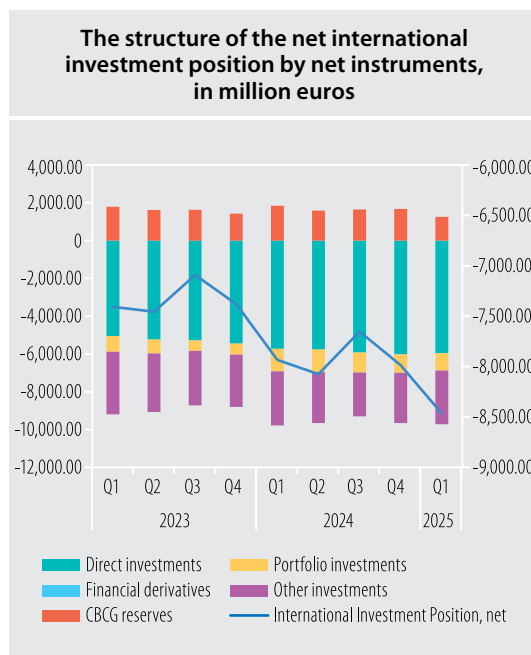
Table 7.5

Structure of the international investment position of Montenegro, in million euros										
	Net IIP Q1-2024	Share in %	Net IIP Q2-2024	Share in %	Net IIP Q3-2024	Share in %	Net IIP Q4-2024	Share in %	Net IIP Q1-2025	Share in %
1. International investment position, net	-7,933.79		-8,074.86		-7,652.98		-7,987.24		-8,466.81	
2. ASSETS	5,575.78	100.00%	5,413.08	100.00%	5,800.40	100.00%	5,829.17	100.00%	5,250.53	100.00%
2.1. Direct investments	265.78	4.77%	276.30	5.10%	283.95	4.90%	301.32	5.17%	311.25	5.93%
2.2. Portfolio investments	1,276.51	22.89%	1,274.42	23.54%	1,395.17	24.05%	1,468.98	25.20%	1,532.33	29.18%
2.3. Financial derivatives	0.03	0.00%	0.02	0.00%	-	0.00%	0.03	0.00%	0.02	0.00%
2.4. Other investments	2,187.61	39.23%	2,280.11	42.12%	2,477.12	42.71%	2,389.96	41.00%	2,152.20	40.99%
2.5. CBCG reserves	1,845.86	33.11%	1,582.24	29.23%	1,644.15	28.35%	1,668.88	28.63%	1,254.73	23.90%
3. LIABILITIES	13,509.58	100.00%	13,487.94	100.00%	13,453.38	100.00%	13,816.41	100.00%	13,717.34	100.00%
3.1. Direct investments	5,994.81	44.37%	6,041.68	44.79%	6,205.41	46.13%	6,325.25	46.82%	6,273.28	45.73%
3.2. Portfolio investments	2,472.32	18.30%	2,462.76	18.26%	2,457.68	18.27%	2,442.21	18.08%	2,442.15	17.80%
2.3. Financial derivatives	1.60	0.01%	1.00	0.01%	2.60	0.02%	2.46	0.02%	2.16	0.02%
2.4. Other investments	5,040.85	37.31%	4,982.51	36.94%	4,787.69	35.59%	5,046.49	37.35%	4,999.74	36.45%

Source: CBCG

Net IIP deteriorated due to the significant decline in financial assets abroad, while financial liabilities abroad remained almost unchanged (graph 7.15). Compared to the end of 2024, the negative net international investment position increased by 479.57 million euros. The key factor to deteriorate was a decrease in financial assets (by 578.64 million euros), the impact of which was somewhat offset by a mild decrease in financial liabilities (by 99.07 million euros). This points to the country's increased net financial exposure abroad.

Graph 7.15



Source: CBCG

Preliminary data show that compared to the end of the previous year, if we look at the negative net positions (assets minus liabilities) by investment instruments<sup>70</sup>, the most significant increase was recorded with other investments with 191.01 million euros, while negative net positions of portfolio investments decreased by 63.40 million euros and those of foreign direct investments decreased by 61.90 million euros.

Decline on the assets side during the first quarter of 2025 compared to the end of the previous year was largely generated by the growth of portfolio investment and other investments positions. Analysing the structure of assets by financial instruments, other investments account for 40.99%, the CBCG reserves account for 23.90% of total assets, while portfolio investments account for 29.18% of total assets.

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

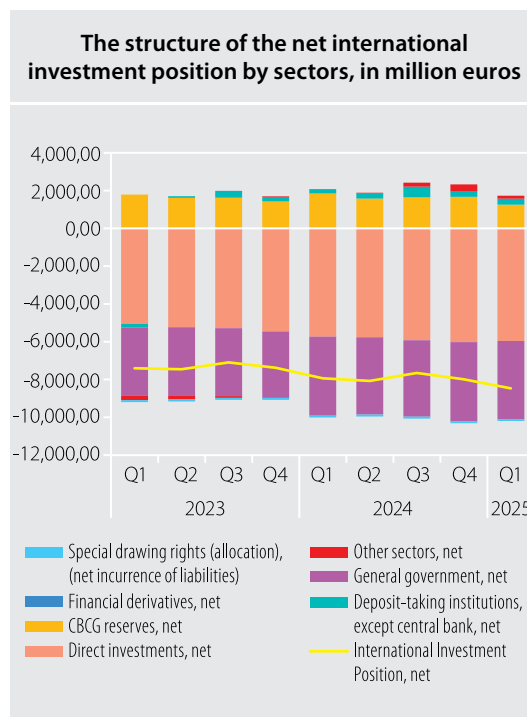
Analysis of the structure of Montenegro's total financial liabilities abroad shows that the largest share is direct investments, 45.73% (6,273.28 million euros), which represents a decrease of 51.97 million euros compared to the end of the previous year. Equity investments recorded the largest share, 66.47% (4,169.96 million euros), while debt instruments accounted for 33.53% (2,103.32 million euros).

At the end of Q1 2025, other investments on the financial liabilities side of Montenegro decreased by 46.75 million year-over-year. They amounted to 4,999.74 million euros and had the share of 36.45% in total liabilities.

With the quarterly decrease of 6.27 million euros, loans were the main financial instrument on the liabilities side with 3,617.79 million euros (a share of 26.37% in total liabilities).

The share of liabilities for portfolio investments reached 2,442.15 million euros or 17.80% of total liabilities at the end of Q1 2025 (main share was of liabilities for issued Eurobonds).

**Graph 7.16**



Source: CBCG