

REAL SECTOR DEVELOPMENTS

01

1.1. Gross Domestic Product

In Q1 2025, after the significant growth recorded in 2023 (of 6.5%), the Montenegrin economy's growth present in 2024 continued to slow down. Last year's economic growth of 3.2% was mainly driven by rising investments in fixed assets and increased domestic spending fostered by the increase in the number of employees and wages and salaries, minimum pensions and loans. Similarly, Montenegro's real GDP growth in the Q1 2025, which amounted to 2.8%, mainly resulted from increased household and government spending in addition to a rise in gross fixed capital formation, which contributed to higher imports of goods and services. At the same time, the export component of goods and services recorded a real decline, driven by a decrease in exports of non-ferrous metals, transport equipment and beverages, a reduction in revenues from services and lower inventories.

Core short-term statistical indicators point to positive results in trade and the production of forest assortments, and in growth in some construction indicators. At the same time, a decrease was recorded in passenger and freight traffic across all modes of transport, along with a decline in total industrial output, resulting from a reduction in the electricity, gas and steam supply. The labour market also recorded an improvement, with an increase in the number of employees and wages and a decreased number of unemployed persons.

According to forecasts published in April and May 2025, most international institutions expected Montenegro's GDP growth in 2025 to be range between 2.6% to 3.2%¹ (table 1.1). The latest report of the European Commission from May 2025 expects Montenegro's economic growth in 2025 to remain at last year's level, while the EBRD's May 2025 report forecast a lower GDP growth rate compared to the previous year. Both reports underscored domestic consumption as the main driver of growth, expecting smaller contribution from the export of services. A relatively moderate contribution is also expected from the visible exports, due to the temporary shut-down of the Pljevlja Thermal Power Plant (as part of the final phase of its ecological overhaul). At the same time, this should lead to a significant increase in electricity imports. According to the CBCG's projections from August, GDP growth in 2025 is expected to reach 2.7%, driven by growth in domestic consumption and investment.

Table 1.1

International financial institutions' forecasts of Montenegro's GDP in 2025, in %	
Institution	Estimated growth rate in 2025
Wiiw	3.2
IMF	3.2
European Commission	3.0
World Bank	3.0
EBRD	2.6

Source: Websites of listed institutions

¹ IMF - *World Economic Outlook*, April 2025
 EC - *European Economic Forecast - Spring 2025*, May 2025
 World Bank - *Western Balkans Regular Economic Report*, No. 27 - *Spring 2025*, April 2025
 EBRD - *Regional economic prospects*, May 2025
 Wiiw: <https://wiiw.ac.at/Montenegro-overview-ce-36.html>

Box 1.1 – The EU Growth Plan for the Western Balkans as Support for Montenegro’s Economic Convergence with the EU Average

Significant funds to be used from the new EU initiative - Growth Plan for the Western Balkans – might contribute to the economic growth in the middle term and to faster convergence to the EU member states’ development average. In May of the current year, Montenegro received 26.8 million euros in pre-financing from the Reform Agenda, representing 7% of the total financial support allocated to Montenegro under the EU Growth Plan. Of the total pre-financing amount, 14.3 million euros will be directed towards infrastructure projects in the energy sector through the Western Balkans Investment Framework, while the remaining funds will be disbursed as direct budget support for implementing the priorities outlined in the Reform Agenda by the end of 2027.

In September 2024, the Government of Montenegro adopted the Reform Agenda of Montenegro 2024–2027 for the EU Instrument for Reforms and Growth as the key document aiming to accelerate Montenegro’s economic convergence with the European Union average and implement the necessary reforms to speed up EU² integration. It contains 32 indicative reform measures within the four priority sectors crucial for achieving stable economic growth, business environment improvement, providing rule of law and improving citizens’ life quality: Business environment and private sector development, digital and energy/green transition, human capital development, and the rule of law, and fundamental rights. It also defines activities for implementing the reforms and success indicators, that will serve as the basis for monitoring the progress in implementing reform measures and the EU assessment on meeting the criteria for awarding the funds.

The latest available data from June 2025 show that the GDP per capita according to purchasing power standard in 2024 amounted to 54% of the EU average. Among the countries in the region, Croatia has the highest GDP per capita in purchasing power standards at 77% of the EU-27 average, followed by Montenegro (54%), Serbia (51%), the Republic of North Macedonia (42%), Albania (37%), and Bosnia and Herzegovina (35%).

Graph 1.1



Source: CBCG Survey

Responses to the Central Bank’s May 2025 survey regarding business expectations for the volume of activities (production and service provision), the majority of respondents (59.65%) stated that they expected an increase in the volume of their business activities in 2025. A total of 40.35% of respondents expected their activity levels to remain unchanged compared to 2024, while none of the respondents expect a decrease.

In the coming period, corporate sector sees the main business barriers in lack of qualified labor force in the labor market, general business risks and excessive taxes and other forms of duties (graph 1.1).

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

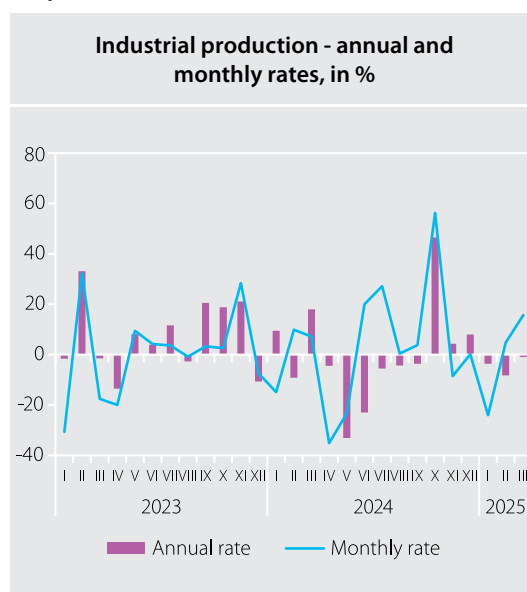
1.2. Activities

1.2.1. Industrial output

After growth in the previous year, total industrial output in Q1 2025, according to MONSTAT's preliminary data, decreased by 4.2% year-over-year. The *electricity, gas and steam supply* sector contributed negatively to overall industrial production, reflecting an annual decrease in output of 13.4%. Output increase was recorded in mining and quarrying and manufacturing industry sectors by 11.2% and 1.9%, respectively. Observed by months, the decline of industrial output was recorded in January (24.1%), while there was an increase in February (4.7%) and March (15.6%).

The *electricity, gas and steam supply* sector recorded the year-over-year production drop of 13.4% in Q1 2025, continuing the downward trend that began in Q2 2024 which recorded decline driven by lower electricity production from inflows and a high base from 2023, when record electricity export values were registered. Due to the planned ecological overhaul of the Pljevlja Thermal Power Plant (which began on 1 April), the planned structure of electricity generation sources (a total of 2,900 GWh) was changed in accordance with the *Decision on Montenegro's 2025 Energy Balance* which includes 2,312 GWh or 80% from renewable energy sources - hydro-power plants, wind farms and solar power plants; and 588 GWh or 20% from the thermal power plant (compared to 61.2% to 38.8% in the previous year). A surplus (the difference between production and consumption) is planned in the amount of 343 GWh.

Graph 1.2



Source: MONSTAT

In order to increase electricity generation from renewable sources and strengthen the country's energy independence, the Electric Power Company of Montenegro (EPCG) is currently implementing 23 energy projects at various stages of development. Some of the most significant projects include: the Gvozd Wind Farm, the Brajići Wind Farm, solar power plants at hydro-power facilities (Vrtac Dam and Krupac Dam), the Željezara Nikšić Solar Power Plant, the Kapino Polje Solar Power Complex, the Otilovići Small Hydro-power Plant, the Krupac Solar Power Plant, and battery energy storage systems (BESS), etc. (For more details on projects, visit the link in footnote)³.

Manufacturing industry recorded a 1.9% output growth. Output growth was recorded in nine areas which made up 30.3% of the total industrial output (table 1.2). The highest growth of 200% was recorded in the *production of metal products, other than machinery and equipment*, with a minor share in overall industry of 2.0%. The largest contribution came from a 42.9% increase in the *production of basic pharmaceutical products and preparations*, which has been identified as one of the key drivers of

³ <https://www.epcg.com/media-centar/saopstenja-za-javnost/drugi-o-nama-epcg-u-velikom-investicionom-ciklusu-u-toku-23>

industrial development in the Industrial Policy of Montenegro 2024–2028⁴, adopted by the Government of Montenegro in August 2024. The lowest output growth was *production of other non-metal minerals products* of 19.8%. Output decline was recorded in five manufacturing industry sub-sectors which account for 23.8% of total industrial output. The largest drop of 71.7% was recorded in the *production of basic metals*, (which represents a continuation of the negative trend from the previous two years, following the shut-down of the remaining cells in the electrolytic plant of the Podgorica Aluminium Plant in May 2023, which marked the end of primary aluminium production in Montenegro after 52 years.). The lowest growth was achieved in *production of beverages* (3.7%).

Table 1.2

Year-on-year changes in the performance of the manufacturing industry in 2024 and Q1 2025 and the share of manufacturing industry in total output in 2024			
Industry Field/Period	Index		Share in total output 2024 (in %)
	Q1-QIV 2024 Q1-QIV 2023	Q1 2025 Q1 2024	
MANUFACTURING INDUSTRY	111.9	101.9	54.2
Production of food products	117.3	95.1	11.3
Production of beverages	97.5	96.3	2.7
Production of wearing apparel	133.9	166.7	0.1
Production of wood products, cork and the like	128.2	124.5	4.4
Production of paper and paper products	89.2	138.2	0.8
Printing and reproduction of audio and video recordings	64.9	36.5	0.2
Manufacture of chemicals and chemical products	188.9	161.0	0.2
Production of basic pharmaceutical products and preparations	128.6	142.9	12.8
Production of rubber and plastic products	84.8	142.2	1.1
Production of other non-metal minerals products	107.6	119.8	8.7
Production of basic metals	68.4	28.3	5.3
Production of metal products, other than machinery and equipment	300.0*	300.0*	2.0
Production of machinery and equipment otherwise not mentioned	127.7	76.9	4.3
Production of furniture	72.6	212.2	0.2
Repair and assembly of machinery and equipment	-	100.0	0.1

* Calculated index was above 300.0

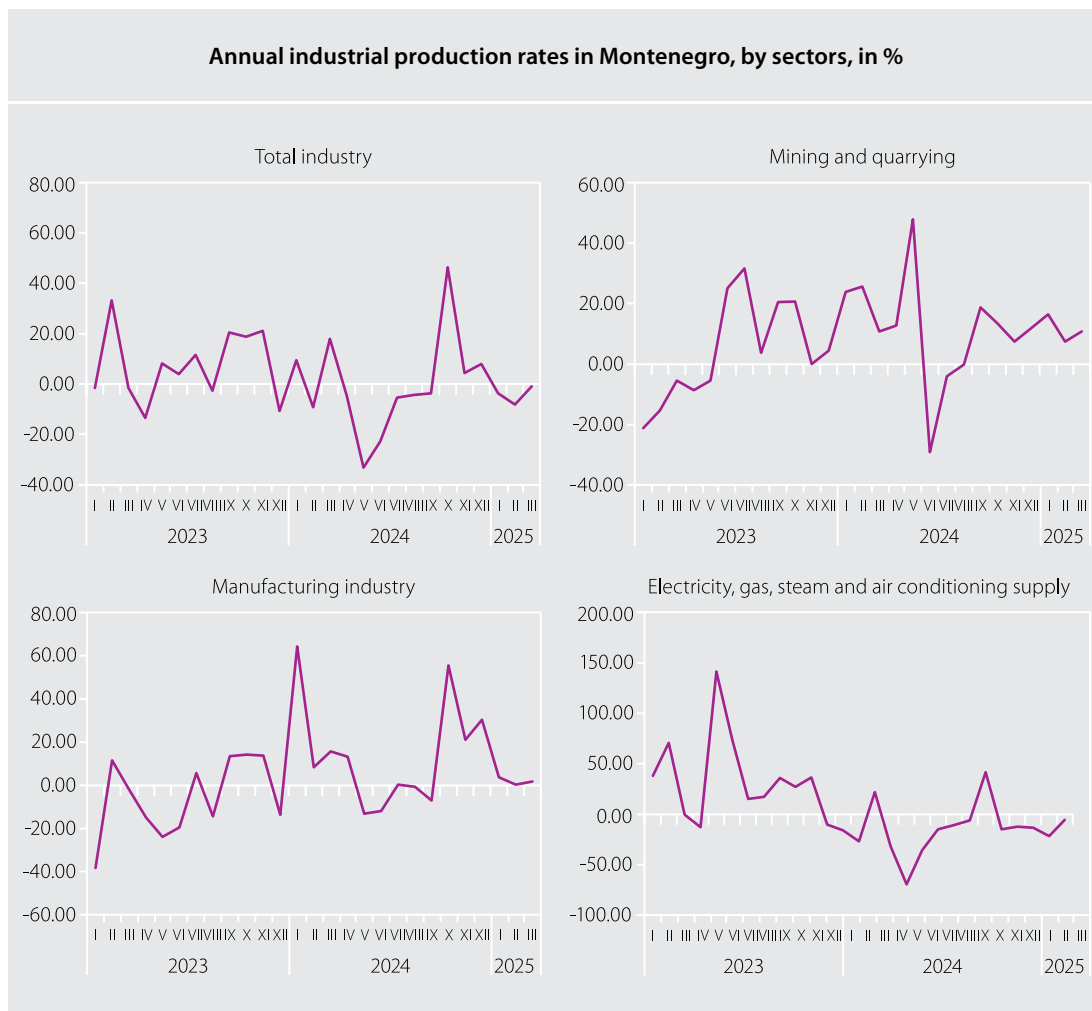
Source: MONSTAT

The annual growth of the overall *mining and quarrying* sector in the first quarter of 2025, which amounted to 11.2%, was mainly driven by an 18.2% increase in *metal ores mining*, continuing the positive trend from the previous year following the resumption of bauxite mining at the Biočki Stan pit in mid-2023. Growth was also recorded in the other two sub-sectors: *other mining*⁵ and *coal extraction* which increased by 7.2% and 3.9%, respectively.

⁴ The Cabinet of Montenegro adopted in on 1 August 2024

⁵ According to the classification of activities, this activity includes the mining and quarrying in mines, gravel pits, quarries, salt-works, etc.

Graph 1.3



Source: MONSTAT

1.2.2. Forestry

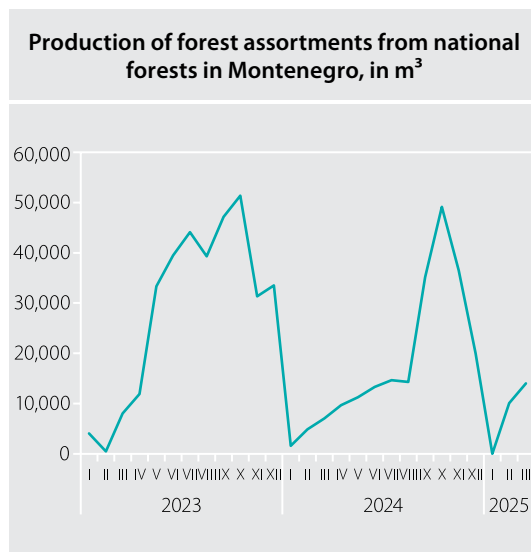
According to MONSTAT data, a total of 24,155 m³ cubic metres of forest assortments from the state forests⁶ were produced in the first quarter of 2023, which is 103.0%⁷ more than in the comparative period of the previous year (graph 1.4). In the structure of produced assortments, coniferous species accounted for 88.71%, the largest share of which was related to log production (78.79%). The production of broadleaved species accounted for 11.29% of the total production, with the largest share also relating to log production (57.62%).

The implementation of the Law on Amendments to the Law on Forests, adopted in July 2024, is expected to improve the forest management system, ensure forest management sustainability and sup-

⁶ The total 2025 production of forest assortments (from national and private forests) is to be published by MONSTAT at end-2026.

⁷ Presented through weighted index

Graph 1.4



Source: MONSTAT

port the development of the wood industry. Specifically, this Law abolishes the concession-based model of forest use, aligns the field of forest management with the Montenegro Sustainable Development Strategy 2030 and with the objectives of the EU Forest Strategy for 2030. It also lays the foundation for the implementation of the planned Forest Development Strategy of Montenegro 2025–2030. Further valuing of wood raw materials, increasing the degree of product finalisation, and strengthening the export of higher value-added products will be defined through the *Program for the Development of Wood Processing and Furniture Production for the period 2025-2028*, with a planned value of approximately 15.1 million euros, which is currently being developed.

1.2.3. Construction

In the construction sector, a slight year-on-year increase was recorded in the indicators of completed construction works and effective working hours, while the value of new contracts and issued building permits declined significantly in the first quarter of 2025. Preliminary MONSTAT data indicate that compared to the same period of the previous year, the *value of executed construction works* increased by 1.47% (it amounted to 156.82 million euros), while *construction activity measured by the effective working hours* grew by 0.67% (it amounted to 4.39 million euros) (graph 1.5).

However, *the value of new contracts on buildings* decreased by 67.96% in the reporting period (it amounted to 13.22 million euros), hitting its low over the last ten years. Only 30 building permits and work notifications were issued, covering the construction of 117 flats with a total area of 7,183 m² (compared to 99 permits issued in Q1 2024, planning for 398 flats with a total area of 28,765 m²). *The value of new contracts on other buildings* amounted to 22.20 million euros, and it decreased by 66.54%. The future period should bring better results in this sector, primarily considering that the Government of Montenegro's allocated significant funds for infrastructure projects for this year in the 2025 Budget Law. Moreover, significant funds for financing capital projects in the economy are planned to be used from the funds allocated from the EU Growth Plan for the Western Balkans⁸.

At the end of February, laws regulating activities in this field were adopted, these including the Law on Spatial Planning⁹ and the Law on Construction of Buildings¹⁰. One of the most important documents

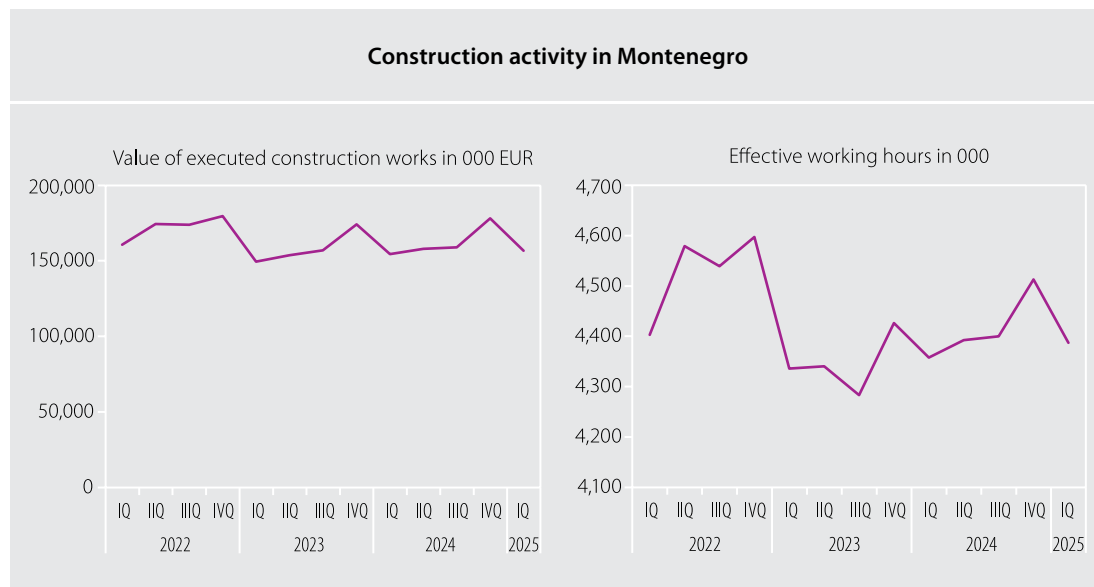
⁸ EU Growth Plan for the Western Balkans is the 6 billion euros worth financial package aimed to double the size of the economic growth in these countries within the next decade. The Plan covers the 2024-2027 period. The Plan envisages 2 billion euros provided in grants, i.e., non-returnable assistance, and 4 billion euros as concessional loans with favourable interest rate. More details are available at https://neighbourhood-enlargement.ec.europa.eu/document/download/4aca21bb-46f2-4751-ab78-3e02f4a02033_en?filename=NewGrowthPlan-WB_MNG.pdf&prefLang=fr

⁹ OGM, 019/2025 of 04 March 2025

¹⁰ Ibid

– the Spatial Plan of Montenegro until 2040, which provides clear guidelines for future investors – was adopted in June of the following quarter, while decisions on specific construction projects remain under the jurisdiction of local self-governments.

Graph 1.5



Source: MONSTAT

1.2.4. Transport

Transport sector indicators show a year-on-year decline in activity across most of its segments in Q1 2025, while a significant increase was recorded in passenger traffic at airports and in freight transport by road, rail and sea compared to the pre-crisis year 2019.

Preliminary MONSTAT road transport data show that 1.91%¹¹ less passengers were transported in the reporting period compared year-over-year (graph 1.6), while the freight transport also decreased by 2.25%¹².

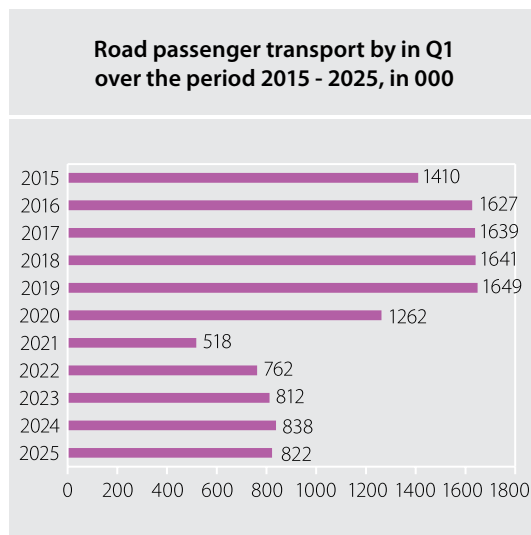
In March, the Government of Montenegro adopted the Programme for the Construction, Reconstruction, Maintenance and Protection of Main and Regional Roads in Montenegro for 2025¹³, which foresees an investment of 72.78 million euros in the state road infrastructure. The Programme plans the construction and reconstruction of approximately 323 kilometres of main and regional roads, representing 16% of the total length of these transport routes. The Programme consists of three sections: reconstruction of motorways and regional roads, resolving traffic bottlenecks and the repair of bridges, landslides and slopes in motorways and regional roads.

¹¹ Presented in the number of passengers, while presented in passenger-kilometres, it decreased by 0.73%.

¹² Expressed through transported goods in thousand tonnes, while presented in ton-kilometres, it increased by 75.71%.

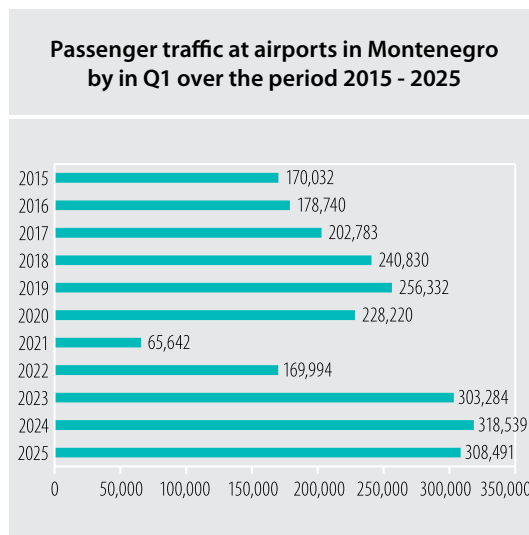
¹³ Source: 74th Montenegrin Cabinet session held on 27 March 2025

Graph 1.6



Source: MONSTAT

Graph 1.7



Source: MONSTAT

In the reporting period, the number of passengers in railway transport decreased by 13.21%, as did the cargo transport by 4.94%.

When it comes to passenger air transport, a total of 308,491 passengers were transported in the same period, which is 3.15% less compared year-on-year (when the highest number of passengers in the comparable ten-year period was recorded). Still, the number of transported passengers significantly exceeded the record 2019 year (graph 1.7) due to the 5.49% growth in Tivat airport, while Podgorica Airport recorded a 4.78% decline. Most of the passengers came from Serbia, Türkiye, Germany, Austria, and Great Britain. During the summer season, a new Tivat–Barcelona route was announced, along with an additional five routes from Podgorica Airport (to Prague, Brno, Baku, Cairo, and Madrid), while existing airlines have announced an increase in the number of flights throughout the summer season.

In the first three months of 2025, there was a decrease in the cargo transport at the airports of 11.85%, in the amount of 119 tons.

Total turnover of goods in ports amounted to 553,108 tonnes and it was 0.24% lower compared to the same three-month period in 2024. Of this amount, exports accounted for 62.29% and imports the remaining 37.71%. According to MONSTAT data, the export of goods to Montenegrin ports, expressed in tons, decreased by 8.97% mainly due to the drop in the exports to China, Türkiye, Slovenia and Croatia. The import of goods in tons in Montenegrin ports increased by 18.53%, mainly due to higher imports from Italy and Malta.

1.3. Prices

The trend of slowing inflation, both globally and in Montenegro, continued throughout 2025. Although the prices of primary commodities declined at the global level, service prices in many economies, including the United States and the euro area, remained above pre-COVID-19 pandemic levels. In January, compared to the rates recorded at the end of the previous year, the EU, the euro area, and

several countries in the region experienced a higher annual inflation rate; however, the growth rate slowed down in the following two months. A similar trend was observed in Montenegro, where consumer prices increased at lower rates than in the same period of the previous year.

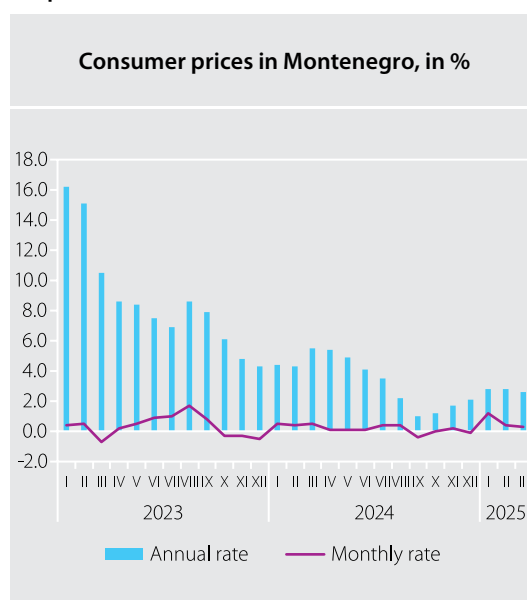
According to data from the UN Food and Agriculture Organization (FAO), index of food prices at the international level increased year-on-year by 6.9% this March¹⁴. At the same time, concerns about the slowdown in global economic growth and energy demand, driven by changes in US trade policy, contributed to a decline in oil prices (which, according to OPEC data, fell by 9.09% year-on-year on the international market). The IMF's¹⁵ July 2025 forecast shows that global average inflation will amount to 4.2% this year (dropping from 5.9% in 2024), while the ECB's¹⁶ September forecast shows that the average inflation rate in the euro area will be 2.1% (drop from 2.4% in 2024) to additionally decrease in 2026 (by 1.7%).

The risks to the realisation of these projections include geopolitical uncertainties, commodity price volatility, as well as changes in trade policies and the unpredictability of implementing new U.S. tariff rates and counter-tariffs introduced or planned by other countries.

According to MONSTAT data, as the official measure of inflation in Montenegro, **consumer prices** were on average 2.7% higher in January-March 2025 compared year-over-year, when the quarterly average of consumer prices recorded an annual increase of 4.7%. (This means that the average annual inflation rate in the first three months of this year slowed by 2 percentage points compared to the first quarter of the previous year.) In March 2025, compared to the same month of the previous year, consumer prices were on average 2.6% higher (graph 1.8), while compared to December 2024, consumer prices increased on average by 1.9%.

In March 2025, compared to December 2024, growth was recorded in nine (of twelve) categories within the consumer basket that accounted for 86.42% of the basket (table 1.3). Within these nine categories, given their share in the formation of consumer prices, the overall price increase of 1.9% was mainly driven by four categories, whose combined contribution amounted to 1.90 percentage points (pp). These were: *food and non-alcoholic beverages* (contribution of 0.87 pp), *housing, water, electricity, gas and other fuels* (contribution of 0.49 pp), *health* (contribution of 0.31 pp), and *alcoholic beverages and tobacco* (contribution of 0.23 pp). The growth of the remaining five categories contributed with only 0.36 pp in total price increase.

Graph 1.8



Source: MONSTAT

¹⁴ <https://www.fao.org/worldfoodsituation/foodpricesindex/en>

¹⁵ IMF: *World Economic Outlook: Update: Global Economy: Tenuous Resilience amid Persistent Uncertainty*, July 2025

¹⁶ Source: ECB - *Eurosystem staff macroeconomic projections for the euro area*, September 2025

Table 1.3

Growth rate and contribution of individual categories in total inflation ¹⁷ in Montenegro				
	Weights	III 25 / XII 24	Growth rate	Contribution
TOTAL	1,000.0	101.9	1.9	1.9
Food and non-alcoholic beverages	348.6	102.5	2.5	0.9
Alcoholic beverages and tobacco	38.8	106.0	6.0	0.2
Clothing and footwear	74.2	95.7	-4.3	-0.3
Housing, water, electricity, gas and other fuels	144.7	103.4	3.4	0.5
Furnishing, household equipment and routine household maintenance	45.2	101.2	1.2	0.1
Health care	38.8	107.9	7.9	0.3
Transport	109.4	101.1	1.1	0.1
Communications	44.1	99.9	-0.1	0.0
Recreation and culture	31.0	103.2	3.2	0.1
Education	17.6	100.0	0.0	0.0
Restaurants and hotels	56.3	100.6	0.6	0.0
Miscellaneous goods and services	51.4	101.0	1.0	0.1

Source: MONSTAT and CBCG calculations

The 2.5% increase in prices within the food and non-alcoholic beverages category, which made the largest contribution to the overall price growth (0.87 percentage points), was, according to the influence of individual product groups within this category, mainly the result of higher prices of meat (1.0%), milk, cheese and eggs (2.2%), vegetables (3.5%), oils and fats (3.7%), fruit (10.7%), and non-alcoholic beverages (5.7%).

The second largest contribution to the overall price increase (0.49 percentage points) during the reporting period came from the 3.4% rise in prices within the category housing, water, electricity, gas and other fuels. According to the influence of individual product groups within this category, this increase mainly resulted from higher actual rents for housing (10.9%) due to a significant increase in housing demand in Montenegro, as well as higher prices in the water supply group (24.1%), driven by rising water tariffs in some municipalities such as Podgorica and Bar since January of this year.

The third largest contribution to the overall inflation growth (0.31 percentage points) came from the 7.9% increase in prices within the health category, mainly as a result of higher pharmaceutical product prices (up 7.2%). At the end of May, the Parliament of Montenegro adopted the Law Amending the Law on Medicines¹⁸, which allows for price limitations on around 900 medicines not included on the compulsory health insurance list. This measure aims to partially reduce the high treatment costs for citizens.

The increase in prices within the alcoholic beverages and tobacco category made the next largest contribution to the overall price growth in March compared to December 2024 (0.23 pp), amounting to 6.0%, primarily due to a 6.1% rise in tobacco prices. In the reporting period, price growth was also

¹⁷ 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.

¹⁸ OGM 35/2025 of 2 April 2025

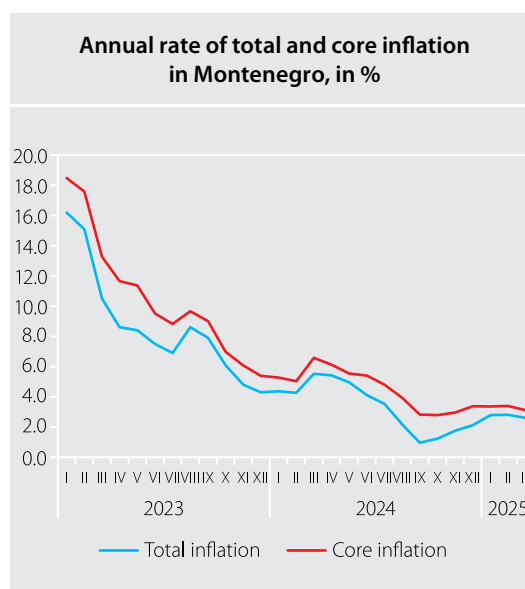
recorded in the categories: recreation and culture (3.2%), furnishing, household equipment and routine household maintenance (1.2%), transport (1.1%), miscellaneous goods and services (1.0%), and restaurants and hotels (0.6%). Prices under clothing and footwear and restaurants and hotels categories decreased 4.3% and 0.1%, respectively, while prices under education recorded no change in March 2025 compared to December 2024.

To decrease inflation in some categories of products and protect vulnerable categories of consumers 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*¹⁹ in end-January. The decision involves limiting the retail margin for 73 types of products (which amounts to several hundred items when considering different weights and manufacturers) and extends the “Limited Prices” promotion until 30 April 2025.

In March 2025, **core inflation** (which, unlike the overall inflation, excludes seasonal food products, administratively regulated items, oil and petroleum products, etc.)²⁰ was 3.1% higher year-on-year. At the same time, core inflation in March 2025 was by 0.5 pp higher than the total inflation in that month, which amounted to 2.6%, with the same trend present in the first two months of this year (graph 1.9). This resulted from the 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, tobacco, fuel and lubricants, and the like), which grew at lower rate than those included in calculating core inflation, i.e. decreased.

Total inflation stood at 2.6% in March this year compared year-on-year. The price growth of 5.5% in the *housing, water, electricity, gas and other fuels* category gave the largest positive contribution (of 0.79 pp) to the increase in total annual inflation. Together with this category, prices within the *restaurants and hotels* category, contributing 0.44 percentage points with an 8.6% increase, and within the *health* category, contributing 0.38 percentage points with a 10.0% increase, made the largest contribution to the annual inflation rate in Montenegro in March, amounting to a total of 1.61 percentage points. The highest annual rate of consumer prices among countries in the region in March 2025 was recorded in Serbia (4.4%), followed by Bosnia and Herzegovina (3.2%), North Macedonia (2.7%) and Albania (2.1%).

Graph 1.9



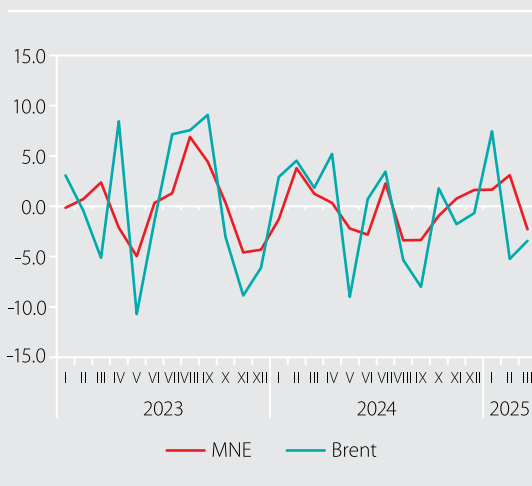
Source: MONSTAT and CBCG calculations

¹⁹ Source: 66th Montenegrin Cabinet session held on 30 January 2025

²⁰ 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>

Box 1.2 – Oil price trend

Graph 1
Prices of fuels and lubricants in Montenegro and oil prices of OPEC*, monthly rate, in %



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

Fuel prices in Montenegro generally follow the oil prices trend on international markets, but with a time lag (see graph 1.10). Oil prices were moderately lower in the first three months of the current year compared to the same period last year. The price of the OPEC reference basket averaged at 76.73 USD/bbl. in this period, being 6.23% lower than the average recorded a year ago. The average price of Brent in the observed period was 75.63 USD/bbl. or 9.09% less year-over-year. The down-trend in oil prices accelerated in March (recording the lowest price of 72.54 USD/bbl. since August 2021) following the US announcement of new tariffs on products from Mexico, Canada, and China, which heightened concerns about a slowdown in global economic growth and demand for this energy source. According to the World Bank report from June 2025²¹, the average price of crude oil in the current year is expected to amount to 80.7 USD/bbl. showing a decrease to 61 USD/bbl. in 2026.

The annual inflation rate recorded in the EU, measured by the harmonised index of consumer prices (HICP)²² stood at 2.5% in March 2025 compared year-over-year. Of the EU member states, the highest annual rate was recorded in Romania (5.1%) and the lowest in France (0.9%) (graph 1.10). The annual inflation in the euro area amounted to 2.2% and it was 0.2 pp lower than the annual rate in December 2024, and the highest contributors to inflation of 1.56 pp and 0.57 pp came from the annual price growth of services and food, alcoholic beverages and tobacco with 3.5% and 2.9%, respectively. In its September report²³, the European Central Bank forecast inflation in the euro area of 2.1% in 2025 and 1.7% in 2026. Compared to the previous projections from June, the expected annual inflation rate has been revised upward by 0.1 percentage points for both years, due to assumptions of higher energy prices and the lagged effects of higher international food prices, which are estimated to more than offset the euro's appreciation.

²¹ World Bank - *Global Economic Prospects*, June 2025

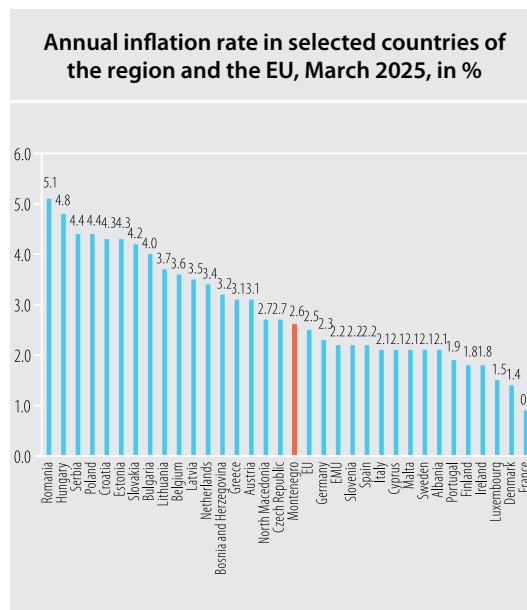
²² The Harmonized Index of Consumer Prices (HICP) is the basis for comparative measurements of inflation in Europe, as well as for assessing the stability of the monetary value in the euro area. Each EU member state is obliged to produce the HICP index. The main difference between the HICP and the CPI, which MONSTAT uses to measure inflation in Montenegro, is that the HICP includes spending by foreigners in the country (but not imputed rent), whereas the CPI better reflects the actual spending of Montenegrin households (it includes imputed rent but excludes spending by foreigners). Imputed rent represents the value a household would have to pay if it were renting the dwelling in which it lives.

²³ Source: ECB - *Eurosystem staff macroeconomic projections for the euro area*, June 2025

Producers' prices of manufactured products recorded a decrease of mere 0.1% in March this year compared to December 2024. In the reporting period, there was a decline in the mining and quarrying sector of 1.9%, while prices in manufacturing industry increased by 0.6%. In the electricity, gas and steam supply sector, prices remained unchanged. In March, the producers' prices of manufactured products recorded year-on-year growth of 2.1%.

In Q1 2025, the year-over-year increase of 4.8% was seen in internal retail trade, expressed in constant prices (6.9% in current prices) due to the growing demand. In March 2025, the year-over-year increase of 5.6% was seen in constant prices (7.8% in current prices).

Graph 1.10



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

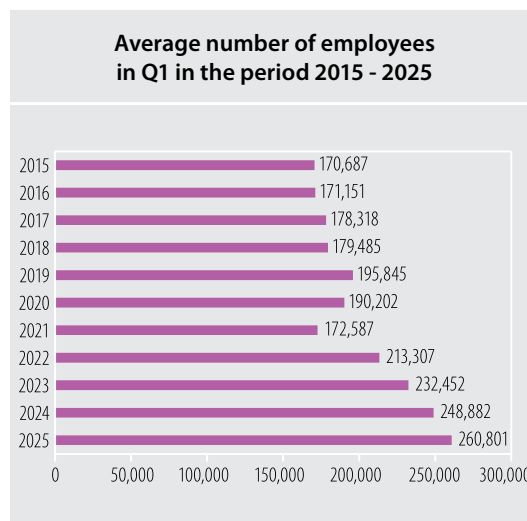
1.4. Labour Market

Positive results at the labour market continued in Q1 2025. During the reporting period, employment increased and registered unemployment rate declined, with a significant rise in wages, mainly due to the implementation of the *Europe Now! 2* programme from October 2024. (The programme, a part of Montenegro's Fiscal Strategy for 2024–2027, raised the minimum wage from 450 to 600 and 800 euros, and reduced employees' pension contribution rates from 15% to 10%).

Employment

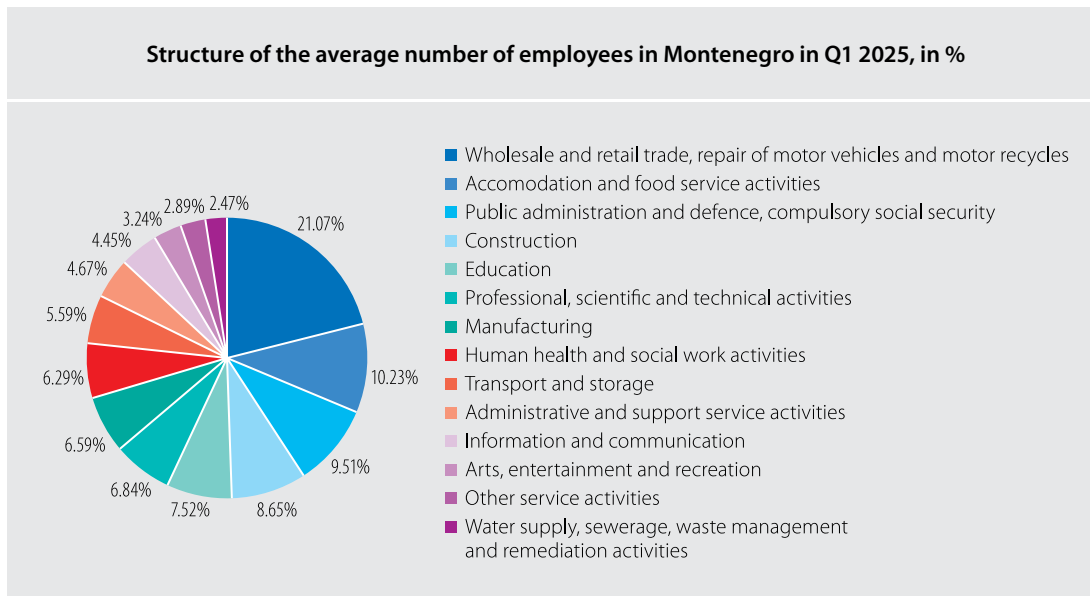
The average number of employees in the observed period was 260,801, which represents a growth of 4.79% on an annual basis. The employment growth was seen in most industries, with the highest being in real estate activities and construction (11.81% and 11.38%, respectively). The lowest increase was seen in state administration and defence, compulsory social security and human health and social work activities (0.31% and 1.35%, respectively). The information and communication and the mining and quarrying sectors recorded a slight decline in employment (2.45% and 1.85%, respectively). In March this year, the total number of employees was 262,737 or 4.63% more year-over-year.

Graph 1.11



Source: MONSTAT

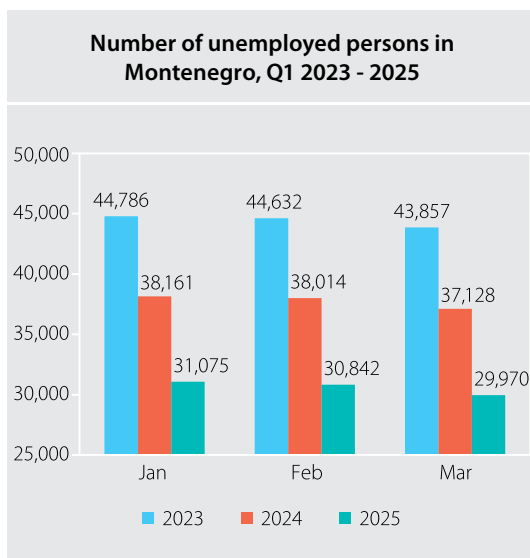
Graph 1.12



Source: MONSTAT

The structure of employees in the reporting period (graph 1.13) shows that the largest number of employees were in the wholesale and retail trade; repair of motor vehicles and motorcycles (19.74%), accommodation and food service activities (9.58%), public administration and defence; compulsory social security (8.91%), construction (8.10%), education (7.05%), professional, scientific and technical activities (6.41%), manufacturing (6.17%), and human health and social work activities (5.90%).

Graph 1.13



Source: Employment Agency of Montenegro

At the end of March 2025, there were 29,970 unemployed persons on the records of the Employment Agency of Montenegro, which is 19.28% less than in the same month of the previous year (graph 1.13). It is also the lowest number since October 2012. In Q1 2025, the number of registered unemployed persons averaged at 30,629, which is 18.90% less on the annual basis.

To increase employment, the thirteenth cycle of the Professional Training for Graduates (PTG) programme 2024/2025 was implemented, through which 2,284 university graduates, without work experience and being on the unemployment register, were given the opportunity to acquire additional knowledge and skills²⁴ from registered employers from 15 January. The 2025 Work Programme of the Employment Agency of Montenegro (EAM), adopted in February, foresees the implementation of measures and programmes for at least 1,127 unemployed persons, particularly

²⁴ <https://www.gov.me/dokumenta/c6a70c10-aabe-4e52-951e-51d5d4b101dd>

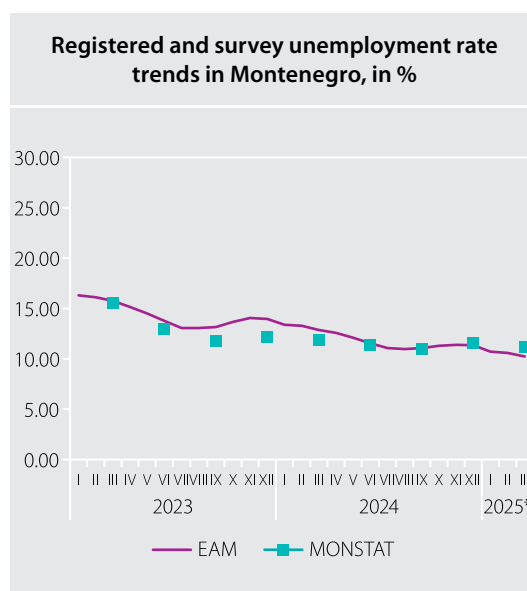
targeting youth, individuals with insufficient or inadequate education, women, members of the Roma and Egyptian community, recipients of social assistance, persons registered as unemployed for more than 12 months, and other unemployed individuals in disadvantaged positions in the labour market²⁵.

During the year, a pilot phase of the “Youth Guarantee” Programme will be implemented in three municipalities (Bijelo Polje, Nikšić, and Ulcinj). This programme is part of the 2024-2026 Implementation Plan for the Youth Guarantee, adopted by the Government of Montenegro in mid-July of the previous year. The programme has been applied in EU member states since 2013 and was established to support young people whose position in the labour market was significantly worsened as a result of the 2008 financial crisis. The core principle of the programme is that every young person, within four months of leaving education or training, or becoming unemployed, receives a quality offer for a job, internship, further training, or continuation of education.

With the aim of reducing unemployment and improving labour market efficiency, a Cooperation Agreement was signed at the end of January between the Ministry of Labour, Employment and Social Dialogue, the EAM, and the Employers’ Union of Montenegro²⁶. This agreement strengthens the link between employers and unemployed persons, creates more favourable conditions for employment, and increases workforce competitiveness. It also provides for effective information exchange and analysis of labour market needs, organisation of job fairs, promotion of lifelong learning, and development of new online platforms connecting unemployed individuals with employers.

The EAM’s records shows that the registered unemployment rate amounted 10.24%²⁷ in March this year and it was 2.64 pp lower year-over-year. On the quarterly level, MONSTAT publishes different unemployment rate in the Labour Force Survey which is in compliance with the EUROSTAT recommendations. Graph 1.14 shows trends of these two rates, and more information on the calculation methodology can be found at the link in the footnote²⁸.

Graph 1.14



Source: MONSTAT and EAM

* From 2025, the Labour Force Survey uses the 2023 Census of Population, Households and Dwellings as its sampling frame, so data from Q1 2025 onward are not comparable with data from previous periods²⁹.

²⁵ More info at: <https://zzzcg.me/me/aktuelno/1116-saopstenje-za-javnost-upravnog-odbora-zzzcg-usvojen-plan-rada-za-2025-pristup-uslugama-za-sve-nezaposlene-bez-razlike>

²⁶ <https://www.zzzcg.me/me/aktuelno/1110-potpisan-sporazum-korak-ka-smanjenju-nezaposlenosti-i-jacanju-konkurentnosti-radne-snage>

²⁷ 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 in a given month and the active population (employed + unemployed) according to the Population Census.

²⁸ Guide on manner of determining survey and registered unemployment rate: [https://www.monstat.org/userfiles/file/ars/Prirucnik%20nezaposlenosti%20u%20CG_20_3_2015ENG\(1\).pdf](https://www.monstat.org/userfiles/file/ars/Prirucnik%20nezaposlenosti%20u%20CG_20_3_2015ENG(1).pdf)

²⁹ To ensure a time series of comparable data in accordance with Eurostat requirements, MONSTAT plans to revise data from the first quarter of 2021 onward. Source: MONSTAT, June 2025.

This April, the registered unemployment rate in Montenegro stood at 9.91%, representing the lowest level since the EAM has been keeping records and marking the first single-digit unemployment rate in the country's history³⁰.

Earnings

MONSTAT data show that the average gross salary amounted to 1,196 euros in Q1 2025, while the average salary without taxes and contributions stood at 1,003 euros, and they both rose year-on-year by 16.46% and 22.02%, respectively. This rise was mainly due to the implementation of the *Europe Now! 2* programme which increased the minimum wage from 450 to 600 and 800 euros, and reduced employees' pension contribution rates from 15% to 10% from October 2024.

Table 1.4

Average earnings without taxes and contributions, by sectors in Montenegro, in euros			
	Earnings without taxes and contributions		Index
	Ø I - III 2024	Ø I - III 2025	Ø I - III 2025 Ø I - III 2024
TOTAL	822	1,003	122.02
Agriculture, forestry and fishery	756	893	118.12
Mining and quarrying	1,045	1,166	111.58
Manufacturing industry	664	859	129.37
Electricity, gas and steam and air conditioning supply	1,192	1,430	119.97
Water supply and waste water management	741	896	120.92
Construction	759	968	127.54
Wholesale and retail trade; repair of motor vehicles and motorcycles	698	913	130.80
Transport and warehousing	777	984	126.64
Accommodation and food service activities	764	987	129.19
Information and communications	1,052	1,321	125.57
Financial and insurance activities	1,295	1,645	127.03
Real estate activities	985	1,428	144.97
Professional, scientific and technical activities	774	991	128.04
Administrative and ancillary service activities	657	842	128.16
Public administration and defence; compulsory social security	928	1,036	111.64
Education	807	951	117.84
Human health and social work activities	903	1,016	112.51
Arts, entertainment and recreation	745	912	122.42
Other service activities	737	903	122.52

Source: MONSTAT

The largest wages without taxes and contributions were recorded in the *financial and insurance activities* (1,645 euros) and *electricity, gas, steam, and air conditioning supply* (1,430 euros), while the lowest earnings had employees in *administrative and ancillary services* sector (842 euros) and *manufactur-*

³⁰ <https://www.zzzcg.me/me/aktuelno/1148-jednocifrena-stopa-nezaposlenosti-istorijski-rezultat-na-trzistu-rada-crne-gore>

ing industry (859 euros) (table 1.4). Growth in wages and salaries without taxes and contributions was recorded in all sectors. The highest wage growth was recorded in the *real estate* sector at 44.97%, followed by *wholesale and retail trade, repair of motor vehicles and motorcycles* at 30.80%, *manufacturing* at 29.37%, and *accommodation and food services* at 29.19%, while the lowest wage growth was observed in the *mining and quarrying* sector at 11.58%.

Box 1.3 – Average earnings in countries of the former Yugoslavia, March 2025

Data on average earnings in March 2025 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 salaries was recorded in Montenegro with 21.6% growth, Bosnia and Herzegovina 13.4%, Serbia 11.5%, the Republic of North Macedonia with 10.5%, followed by Croatia 9.2% and Slovenia 6.8%. 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 the North Macedonia in terms of average net wages and salaries.

Table 1

Average earnings in the former Yugoslavia countries in March 2025, in euros

Country	Gross earnings	Net earnings
Slovenia	2,497	1,581
Croatia	2,014	1,448
Montenegro	1,195	1,003
Serbia	1,269	922
Bosnia and Herzegovina	1,216	784
North Macedonia	1,091	727

Source: Statistical offices and central banks of the aforementioned countries