



# **Macroeconomic Report of the Central Bank of Montenegro 2/2025**

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## REVIEW OF MACROECONOMIC DEVELOPMENTS

	2024	Q3 2025	%
<b>REAL SECTOR DEVELOPMENTS</b>			
GDP (in current prices, in EUR million) <sup>1</sup>	7,644.5	2,462.1	
Industrial output (compared to the same period the year before) <sup>2</sup>	0.2	-3.7	
Production of forest assortments in state forests (compared to the same period the year before) <sup>2</sup>	-38.0	37.6	
Construction (compared to the same period the year before-measured by effective working hours) <sup>2</sup>	1.6	1.8	
<b>Employment</b>			
Number of employed people (December, September)	257,778	272,599	
Number of unemployed people (December, September)	33,037	27,052	
<b>Inflation rate</b>			
Consumer prices, annual rate (December, September)	2.1	4.9	
Average earnings without taxes and contributions (average for period) <sup>2</sup>	876	1,011	15.41
<b>MONETARY DEVELOPMENTS (in EUR million)<sup>3</sup></b>			
Total deposits	5,838.8	6,099.7	4.47
Nonfinancial sector deposits	1,733.4	1,913.9	10.42
Household deposits	2,154.9	2,326.9	7.98
General Government deposits	498.6	553.2	10.94
Central Government	325.4	337.4	3.69
Local Government	168.5	208.9	23.99
Social security funds	4.7	6.8	44.46
Financial sector deposits	56.2	65.6	16.82
Deposits of Nongovernment and other nonprofit organizations	87.2	99.1	13.68
Deposits of non-residents	1,308.6	1,140.9	-12.81
Total loans	4,639.7	5,356.5	15.45
Loans to nonfinancial sector	1,546.4	1,781.3	15.19
Loans to households	1,969.7	2,283.2	15.91
Loans to General Government	224.3	181.5	-19.10
Central Government	202.1	162.2	-19.74
Local Government	22.3	19.3	-13.29
Social security funds	0.0	0.0	0.00
Loans to financial sector	54.3	48.1	-11.36
Loans to Nongovernment and other nonprofit organizations	4.8	5.6	17.94
Loans to non-residents	840.1	1,056.8	25.79
<b>TREASURY BILLS ISSUE</b>			
Average interest rates on 91-day T-bills, last recorded			
Average interest rates on 182-day T-bills, last recorded			
Average interest rates on 273-day T-bills, last recorded			
<b>CAPITAL MARKET</b>			
Turnover in stock exchanges (in EUR million) <sup>2</sup>			
Montenegro stock exchange	9.7	80.8	
Stock exchange indices			
MNSE10	1,085.52	1,154.78	6.38
MONEX	16,433.46	17,887.15	8.85
<b>FISCAL DEVELOPMENTS (EUR million)<sup>2</sup></b>			
Current revenues <sup>4</sup>	3,188.68	2,421.61	
Expenses <sup>4</sup>	3,423.41	2,498.18	
Surplus/deficit <sup>4</sup>	-234.73	-76.57	
Foreign government debt (in EUR million) <sup>5</sup>	4,183.48	4,417.70	5.60
Domestic government debt (in EUR million) <sup>5</sup>	331.30	287.63	-13.18
Debt of the local governments (in EUR million) <sup>5</sup>	59.06	55.01	-6.86
<b>EXTERNAL DEVELOPMENTS<sup>2</sup></b>			
Current account balance (in EUR million) <sup>2</sup>	-1,306.55	-909.08	
Trade balance	-3,299.88	-2,762.65	
Balance of services	1,583.69	1,442.74	
% coverage of the trade deficit with other balances	60.41	67.09	
Current account balance in % of GDP	-17.09		

<sup>1</sup> Source: MONSTAT, preliminary data for Q3 2025.

<sup>2</sup> Data for period I-XII 2024 and I-IX 2025.

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



## MACROECONOMIC ENVIRONMENT IN MONTENEGRO

Global economic developments during the first nine months of 2025 proved to be more resilient to trade-related tensions than initially expected, although economic growth slightly decelerated compared to the same period of the previous year. While tariff increases generated certain short-term positive effects, they nonetheless dampened the growth of global trade; however, the conclusion of trade agreements in the second half of the year helped alleviate trade policy uncertainty. At the same time, declining commodity prices contributed to a moderation of inflationary pressures at the global level, with notable differences across advanced economies, which in turn supported a gradual easing of monetary policies by major central banks, including the ECB. Against such an external backdrop, economic activity in Montenegro recorded a mild slowdown in the reporting period. Preliminary MONSTAT data indicate that the year-over-year real GDP growth reached 3.2%, as opposed to a 3.4% in the same nine-month period last year. Economic growth during the observed period was predominantly driven by domestic consumption, supported by increases in employment, wages, and lending activity, as well as by growth in gross fixed capital formation. International institutions forecast Montenegro's real GDP growth in 2025 to range between 2.6% and 3.4%, while the Central Bank of Montenegro estimates a growth of 3.2%.

According to MONSTAT data, consumer prices were on average 3.8% higher in the period January–September 2025 compared to the same period of the previous year. In September 2025, consumer prices increased by 4.9% year-on-year, which was also the rate of increase recorded relative to the end of the previous year.

Observed by individual branches of the economy, growth was seen in construction, retail trade, and forestry, as well as in tourist arrivals. The value of completed construction works increased by 3.96%, accompanied by an increase in effective working hours of 1.77%, while retail trade turnover rose by 3.9% in constant prices and by 7.5% in current prices. Growth in the forestry sector was reflected in a 30.61% increase in the production of forest assortments in state-owned forests. The number of tourist arrivals increased by 5.16% on an annual basis, while the number of overnight stays recorded a slight decline of 1.89%.

Indicators in the transport sector suggest the year-on-year growth in passenger traffic across all modes of transport, with the exception of rail transport, while freight transport declined across all modes except port cargo traffic. The highest growth of 8.16% was recorded in passenger traffic at airports, while the sharpest declines were observed in rail passenger transport and airport freight traffic, which dropped by 11.57% and 8.28%, respectively. Industrial production saw a decline of 3.7% that was driven by reduced output in the sectors of electricity, gas and steam supply of 30.6% and an 18.4% decline in mining and quarrying, despite strong growth of 17.2% recorded in manufacturing sector.

Key labour market indicators point to a continued positive trend in employment and a decline in unemployment in the first nine months of 2025. The average number of employees, as per MONSTAT records, was 269,746, which represents a growth of 4.84% year-over-year. Employment growth was recorded in most sectors, with the strongest increases in construction (13.02%) and real estate activities (10.82%). The lowest growth was recorded in public administration and defence; compulsory social security (0.05%), and in human health and social work activities (1.71%). The information and communication sector and the mining and quarrying sector registered minor declines of 2.40% and 1.57%, respectively. The number of registered unemployed persons decreased by 18.25% year-on-year, averaging 28,900, while the registered unemployment rate at the end of September 2025 fell to 9.03%, which is 2.03 percentage points lower compared to the same month of the previous year.

According to MONSTAT data, the upward trend in wages continued. The average gross wage amounted to 1,205 euros, while the average net wage was 1,011 euros, both rising annually by 14.54% and 20.36%, respectively. This growth is largely the result of wage increases implemented from October 2024, supported by the measures outlined in Montenegro's Fiscal Strategy for the period 2024–2027.

During the reporting period, the banking sector remained stable, well-capitalized, and profitable, continuing to be the most resilient segment of Montenegro's economy. At end-September 2025, liquid assets of banks amounted to 1,580.10 million euros, with the capital adequacy ratio standing at 19.39%. The total assets of the banking sector amounted to 7,739.65 million euros, representing the annual increase of 10.90%, although a growth of 6.75% was recorded compared to the end of 2024. Total loans amounted to 5,356.50 million euros, while total deposits stood at 6,099.67 million euros, both increasing during the first nine months at average rates of 1.62% and 0.50%, respectively. The share of non-performing loans fell to 2.82%, which is a 1.14 pp decrease year-on-year. The banking sector recorded a positive financial result in the total amount of 112.46 million euros, which is the year-on-year decline of 17.51%.

During the first nine months of 2025, the downward trend in the average lending interest rate on total loans from the previous year continued, alongside a slight increase in deposit interest rates compared to the end of the previous year. The weighted average lending effective interest rate (WAEIR) on total outstanding loans at the end of September 2025 stood at 6.25%, while the same rate on new loans amounted to 6.23%, representing the year-on-year declines of 0.34 and 0.41 percentage points, respectively. The WAEIR on new retail loans was 6.79%, down by 0.79 pp compared to the third quarter of 2024, partly as a result of the continuation of the initiative to reduce interest rates on these loans launched in April 2024, which remained in effect until the end of June 2025. The reduction in the WAEIR on new loans was also supported by the stabilisation of benchmark interest rates, as well as easing pressures in international capital markets. The weighted average deposit effective interest rate amounted to 0.26% at the end of September 2025, recording a marginal increase both on the year-on-year basis and compared to the end of 2024, of a mere 0.01 percentage points in both cases.

During the reporting period, some financial service providers recorded significant growth both in total assets and liabilities and financial result. At end-September 2025, total assets and liabilities of microcredit financial institutions (MFIs) amounted to 132.06 million euros, which is a 30.49% increase year-on-year and a 18.90% growth compared to the end of the previous year. The financial result of MFIs amounted to 3.86 million euros in the first nine months of 2025, marking the year-on-year increase of 25.91%. Total assets and liabilities of factoring companies amounted

to 10.88 million euros, which is a 13.60% increase year-on-year and a 4.38% decline compared to the end of 2024. On the other hand, companies for the purchase of receivables had the assets and liabilities worth 8.77 million euros, which is a 3.86% growth at the annual level and a 7.04% increase compared to December 2024. Total assets and liabilities of the Development Bank of Montenegro amounted to 421.57 million euros, which is a 3.75% growth year-on-year and a 1.15% decline compared to the end of the previous year. The Development Bank reported a financial result of 5.64 million euros, which is a decrease of 36.89% year-on-year.

During the first nine months of 2025, public finances of Montenegro were characterised by a more pronounced increase in realised budget expenditures and total public spending relative to realised budget and public revenues, compared to the same period of the previous year, resulting in the emergence of a budget and overall fiscal deficit. The most significant positive deviation on the revenue side was recorded in value added tax (VAT), driven by growth in consumption and overall economic activity, improved tax compliance, a higher volume of VAT refunds, and a continued reduction of informal economy. At the same time, the year-on-year increase on the expenditure side of the budget was primarily driven by higher allocations for pension and disability insurance benefits, as well as more intensive implementation of the capital budget. According to the Ministry of Finance, based on realized revenues and expenditures, a cash budget deficit of 88.31 million euros was recorded in the observed period, representing 1.09% of estimated GDP for 2025. The cash deficit of the public sector amounted to 76.57 million euros or 0.94% of GDP.

According to data from the Ministry of Finance, Montenegro's gross public debt amounted to 4.76 billion euros or 58.59% of GDP at the end of September 2025, reflecting an increase of 4.08% compared to the end of the previous year, primarily due to additional borrowing through the issuance of Eurobonds. Of the total amount of gross government debt, 287.63 million euros or 3.54% of GDP referred to domestic debt, 4.42 million euros or 54.37% referred to external debt, and the debt of local self-governments accounted for 55.01 million euros or 0.68%. Net public debt totalled 4.18 million euros or 51.41% of GDP. Although the level of public debt remains below the reference thresholds defined by the European Union's fiscal rules, its structure, in particular the high share of external debt, poses a significant challenge for medium-term fiscal policy, given the substantial Eurobond maturities falling due in the period ahead.

The current account deficit deepened further, driven by an increase in the visible trade deficit and a decline in surplus on the secondary income account. Preliminary data show that the current account deficit amounted to 909.08 million euros in the first nine months of 2025, which is the year-on-year increase of 16.35%. The foreign trade deficit reached 2,762.65 million euros, marking the year-over-year increase of 10.65%. This deficit increase was the result of a decline in visible exports of 8.43% (most notably the export of other transport equipment and non-ferrous metals) and a significant increase in visible imports of 7.66% (primarily due to imports of electricity and road vehicles, particularly used vehicles, whose import value rose due to increased prices and growing demand for this type of vehicles).

The mitigation of the overall current account imbalance was supported by a high surplus on the services account, which amounted to 1,442.74 million euros, with balanced growth in revenues (2.08%) and expenditures (2.40%). Services revenues amounted to 2,231.02 million euros, while expenditures totalled 788.29 million euros. Primary income account ran a 106.07 million euros surplus, while in the same period of 2024 this account recorded a deficit of 18.58 million euros. Secondary income account recorded a surplus in the amount of 304.76 million euros, which represents the annual decline of 13.48 million euros.

Net inflow of foreign direct investments (FDI) amounted to 366.13 million euros, recording a slight year-on-year decline of 1.69%, as a result of increased FDI outflows. Total FDI inflows amounted to 701.89 million euros, increasing by 43.74 million euros (6.65%), largely driven by higher investment in real estate, which rose by 41.54 million euros (12.97%). At 361.78 million euros, real estate investments represented the largest segment of total FDI inflows (51.54%) and, together with investments in companies and banks that amounted to 86.33 million euros (a decrease of 13.72 million euros or 12.71%), constituted total equity investments of 448.11 million euros or 63.84% of total FDI inflows. Inflows based on intercompany debt amounted to 221.68 million euros, recording growth of 2.22%, while inflows related to the withdrawal of investments from abroad amounted to 32.10 million euros, increasing by 11.10 million euros or 52.85%. Total FDI outflow amounted to 335.76 million euros and it rose 50.01 million euros or 17.50% year-over-year.

Montenegro's external debt increased moderately, whilst maintaining a favourable currency and maturity structure. Preliminary data indicate that total external debt amounted to 9.8 billion euros at the end of the third quarter of 2025, increasing by 114.31 million euros compared to the end of the previous year, due to higher public sector debt, while private sector debt declined. Public sector debt accounted for 46.11%, while private sector debt accounted for 53.89% of total external debt. Given that the euro dominates the currency structure of external debt with an approximate share of 95%, foreign exchange risk remains relatively low, while the maturity structure of private sector external debt is favourable, as more than 95% of the debt is long-term in nature (excluding deposits).

Preliminary data also show a deterioration in the net international investment position, which amounted to -8,214.27 million euros at the end of the third quarter of 2025, representing an increase in the negative position of 237.31 million euros compared to the end of 2024, driven by higher liabilities to non-residents. Total foreign claims of residents amounted to 6,018.32 million euros, while liabilities amounted to 14,232.59 million euros. Compared to the end of the previous year, the negative net international investment position increased due to a rise in liabilities of 415.60 million euros, which outweighed the positive effect of a 178.29 million euro increase in claims. Observing the net positions by investment instruments (assets minus liabilities), preliminary data indicate that, compared to the same period of the previous year, the most significant increases were recorded in portfolio investments, by 225.69 million euros, and foreign direct investments, by 103.71 million euros, while negative net positions in other investments decreased by 179.82 million euros.

Overall, macroeconomic developments in Montenegro during the January–September 2025 period were stable, with continued economic growth and preserved financial stability. Although economic growth during the observed period exceeded estimated potential, its structure points to a pronounced reliance on domestic demand and favourable cyclical developments. The sustainability of such growth dynamics will depend on strengthening productivity, improving the investment climate, and implementing structural reforms that would enable higher and more stable medium-term growth potential, as well as on enhancing resilience to external shocks, enhancing competitiveness, diversifying sources of growth, and preserving the sustainability of public finances. At the same time, the continuation of a prudent macroeconomic policy remains of key importance for safeguarding financial stability and mitigating potential risks arising from the external environment.