

# REAL SECTOR DEVELOPMENTS

01



## 1.1. Gross Domestic Product

Economic developments in the first nine months of 2025 point to a slight slowdown in the Montenegrin economy's growth. Preliminary MONSTAT data point to real growth of 3.2% in the observed period compared y-o-y (3.4%), mainly due to the domestic spending growth driven by increased employment, wages and lending and higher gross fixed capital investment. At the same time, the export of goods and services recorded a real decline, driven by a decrease in exports of non-ferrous metals, transport equipment, and equipment and beverages, and lower inventories. Growth was recorded in three quarters: 2.8% in Q1, 3.5% in Q2, and 3.1% in Q4, compared to the respective quarter of the previous year.

Core short-term statistical indicators point to positive results in the trade sector, the number of tourist arrivals, and the production of forestry products, while some construction and transport indicators recorded growth. At the same time, a slight decline was recorded in the number of tourist overnight stays, yet a decrease in overall industrial production. 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 September and November 2025, most international institutions expected Montenegro's GDP growth in 2025 to range between 2.6% to 3.4%<sup>1</sup> (table 1.1). The CBCG's October forecasts point to 3.2% growth driven by rising domestic consumption and investment. In its latest October report, the World Bank revised its initial growth forecasts for the 2025–2027 period upwards, supported by private consumption, real wage growth, and continued investment in infrastructure and renewable energy sources (the continuation of highway construction, solar and wind power plants, etc.).

**Table 1.1**

International financial institutions' forecasts of Montenegro's GDP in 2025, in %	
Institution	Estimated growth rate in 2025
Vienna Institute	3.4
IMF	3.2
European Commission	3.0
World Bank	3.3
EBRD	2.6

Source: Websites of listed institutions

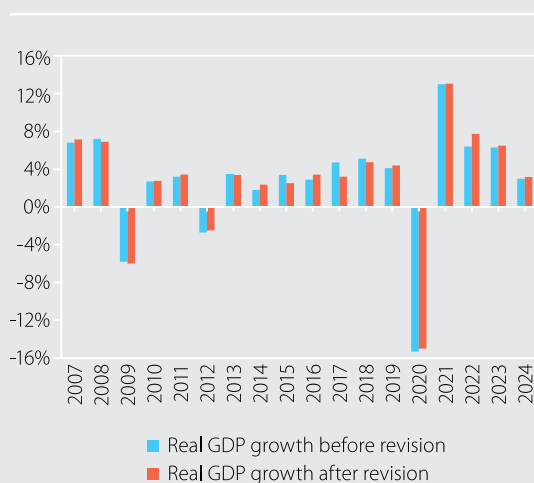
<sup>1</sup> IMF - Source: *IMF - World Economic Outlook, October 2025*, 14 October 2025  
 EC - *European Commission - European Economic Forecast, autumn 2025*, 17 November 2025  
 World Bank - *Western Balkans Regular Economic Report No. 28 - Fall 2025*, 7 October 2025  
 EBRD - *Regional economic prospects*, September 2025  
 Vienna Institute for International Studies, November 2025

In its December forecasts, the Ministry of Finance projects that Montenegro's economy will grow at an average annual rate of 3.2% over the 2025–2028 period under the baseline scenario. Domestic demand is expected to be the main driver of growth in the medium term, with real growth of 5.2% in 2025 and an average annual increase of 2.8% over the medium-term horizon. Over the reporting period, the investment cycle will be intensified through investments from Capital budget and EU grants, with the most significant investments directed towards the construction of the second section of the highway and the reconstruction of railway infrastructure<sup>2</sup>.

### Box 1.1 - Benchmark Revisions of GDP in Montenegro and the EU

The major (benchmark) revision of the gross domestic product (GDP) of Montenegro for the period 2006–2023, carried out in accordance with the Harmonised European Revision Policy (HERP), was published in September 2025. This revision represents a significant step in aligning GDP compilation with the European System of Accounts (ESA 2010) and includes new data sources (such as the 2023 Population, Households and Dwellings Census and the 2024 Agricultural Census), methodological improvements (the calculation of the consumption of non-profit institutions serving households (NPISH), imputed rents, and exhaustiveness adjustments<sup>3</sup> – non-observed economy) and the implementation of the new Classification of Individual Consumption by Purpose (COICOP 2018). Coordinated benchmark revisions are important in the process of statistical harmonisation within Chapter 18 – Statistics, which is of particular importance for Montenegro on its path towards EU membership.

**Graph 1**  
Real GDP growth before and after benchmark revision (in %)



Source: MONSTAT

The revision increased nominal GDP for 2023 by 1.5%, while the period 2006–2022 recorded a decrease by 0.6% on average. Observing the real GDP growth rates, the largest revision was recorded in 2017 (the rate was reduced by 1.5 pp) and in 2022 (increased by 1.3 pp) (graph 1).

In 2024, 26 EU Member States participated in the coordinated benchmark revision of national accounts in line with HERP recommendations, while Luxembourg postponed its revision to 2025. National statistical institutes further improved the quality of their estimates through methodological changes and the use of new data sources. Revisions of national accounts in EU countries showed different results, depending on the quality of national data sources and the methodological approaches applied. Thus, some countries recorded increases in GDP values, while others saw slight decreases.

<sup>2</sup> [Draft Economic Reform Programme 2026-2028](#)

<sup>3</sup> “The adjustment for exhaustiveness includes legal activities (private lessons, tips, paid household services, underreporting) and illegal activities.”

Source: MONSTAT - [https://www.monstat.org/uploads/files/BDP/BDP2024/Annual%20GDP%202024\\_eng.pdf](https://www.monstat.org/uploads/files/BDP/BDP2024/Annual%20GDP%202024_eng.pdf)

The nominal level of GDP (at current prices) across the EU increased on average by 0.7% for the periods 2010–2014 and 2015–2019, and by 1.1% for the period 2020–2023. Revisions of annual GDP growth rates, i.e., the differences between growth rates published before and after the benchmark revision (table 1), indicate that the revision did not significantly affect the aggregate, although there were country-specific differences (the largest difference was recorded for Malta's GDP growth rate at 0.9 pp).

**Table 1**

**Revisions of annual GDP growth rates - average for the selected period (in percentage points)\***

Country	Publication Date	2005-2009	2010-2014	2015-2019	2020-2023
Sweden	30.05.2024	-0.1	-0.1	0.0	-0.3
France	31.05.2024	0.2	0.1	-0.1	0.2
Netherlands	24.06.2024	0.0	0.1	0.1	0.2
Czechia	28.06.2024	-0.1	0.1	0.0	0.3
Denmark	28.06.2024	0.0	-0.1	0.0	0.1
Ireland	12.07.2024	0.0	0.3	-0.2	-0.4
Germany	30.07.2024	0.0	0.0	0.1	-0.1
Estonia	16.08.2024	0.0	0.0	0.0	0.0
Malta	28.08.2024	0.0	0.4	-0.1	0.9
Slovenia	30.08.2024	0.0	-0.1	0.1	0.3
Spain	18.09.2024	-0.1	0.1	0.0	0.3
Finland	18.09.2024	0.0	-0.1	0.0	-0.1
Italy	23.09.2024	0.0	-0.1	0.0	0.3
Portugal	23.09.2024	0.0	0.0	0.0	0.1
Austria	30.09.2024	0.0	-0.1	0.2	0.3
Hungary	30.09.2024	0.0	0.1	0.1	0.0
Latvia	30.09.2024	0.1	0.4	0.1	0.3
Lithuania	01.10.2024	0.0	0.1	0.4	0.2
Poland	10.10.2024	-0.1	0.1	0.1	-0.1
Romania	10.10.2024	0.0	0.0	0.0	0.0
Greece	17.10.2024	0.4	-0.1	0.3	0.2
Belgium	18.10.2024	0.0	-0.1	-0.1	0.2
Bulgaria	18.10.2024	0.0	0.0	-0.1	0.3
Croatia	18.10.2024	0.1	0.0	-0.2	0.1
Cyprus	18.10.2024	0.0	0.0	0.2	1.0
Slovakia	18.10.2024	0.0	0.1	-0.1	0.0
EU-27	18.10.2024	0.0	0.0	0.0	0.1
EA-20	18.10.2024	0.0	0.0	0.0	0.1

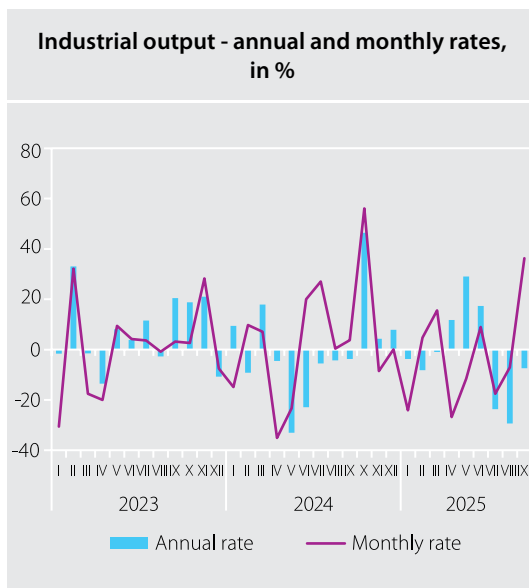
\* Percentage points in the table present arithmetic averages for the selected period.

Source: Eurostat, 2024 benchmark revision of national accounts: *Information on GDP impacts and main changes*

## 1.2. Activities

### 1.2.1. Industrial output

Graph 1.1



Source: MONSTAT

Total industrial output in the first nine months of 2025, according to MONSTAT's preliminary data, decreased by 3.7% year-over-year. This decline resulted from the decreased output in the electricity, gas and steam supply and mining and quarrying sectors by respective 30.6% and 18.4% y-o-y. The manufacturing industry, with the largest share in total output (54.2%), recorded the 17.20% growth. Observing monthly data on industrial output (graph 1.1), the severest monthly decline was recorded in April (-26.8%), while the highest increase was recorded in September (36.3%).

The significant year-on-year decline in the *electricity, gas and steam supply sector* mainly resulted from the temporary, multi-month shut-down of the Pljevlja Thermal Power Plant (from 1 April), which represents one of the phases of its environmental reconstruction.

### Box 1.2 – Electric Power Projects – Ongoing and Planned<sup>4</sup>

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. One of the most significant projects is the Gvozd 1 wind farm, an 82 million euros investment expected to become operational next year. Gvozd 1 will comprise eight wind turbines, and together with Gvozd 2 (which will have an additional three turbines), it will deliver a total capacity of 77 MW, surpassing the capacity of the existing 26 turbines at Krnovo.

In addition to current projects and those implemented directly, and in cooperation with strategic partners, EPCG will work on the construction of the HPP Kruševo and several hundred megawatts of solar power plants, as well as several hundred MWh of battery storage facilities in the coming period. HPP Kruševo is currently in the geological survey phase, while the preliminary design and technical documentation are expected next year, with construction scheduled to begin in 2027.

<sup>4</sup> <https://www.epcg.com/media-centar/saopštenja-za-javnost/epcg-novim-projektima-do-energetske-stabilnosti-ii-dio>

An 18.4% decline in output in the mining and quarrying sector was recorded, mainly due to reduced coal extraction at Pljevlja Coal Mine, which fell by 49.8%, following the multi-month suspension of operations by the country's largest coal user, the TPP Pljevlja. During this period, the mine reported a loss of 14.38 million euros (compared with a net profit of 3.34 million euros in the same period last year).<sup>5</sup> Mining and quarrying sector recorded an output decline in metal ore extraction by 11.9%, while other mining activities recorded growth of 10.8%.

The manufacturing industry sector recorded y-o-y output growth of 17.2%, and it is the result of increased output in ten areas that make up 30.5% of total industrial output (table 1.2). The largest contribution to this growth came from a 64.4% increase in the *production of basic pharmaceutical products and preparations*, which has been identified as one of the key potentials for industrial development (in line with Montenegro's Industrial Policy 2024–2028). Due to its insignificant share in total industrial output (only 0.2%), *production of furniture* did not have a significant impact on overall production growth, despite recording the highest relative increase of 142.6%. Output decline was recorded in five manufacturing industry sub-sectors which account for 23.7% of total industrial output. The largest decline of 35.9% was recorded in the *manufacture of basic metals*, reflecting a continuation of the negative trend observed over the previous two years (with primary aluminium production in Montenegro having ceased in May 2023).

**Table 1.2**

Year-on-year changes in the performance of the manufacturing industry in Q1-Q3 2025 and the share of manufacturing industry in total output in 2024		
Industry Field/Period	Index	Share in total output 2024 (in %)
	Q1-QIII 2025 Q1-QIII 2024	
MANUFACTURING INDUSTRY	117.2	54.2
Production of food products	99.2	11.3
Production of beverages	96.2	2.7
Production of wearing apparel	87.5	0.1
Production of wood products, cork and the like	117.9	4.4
Production of paper and paper products	123.2	0.8
Printing and reproduction of audio and video recordings	130.1	0.2
Manufacture of chemicals and chemical products	102.3	0.2
Production of basic pharmaceutical products and preparations	164.4	12.8
Production of rubber and plastic products	110.3	1.1
Production of other non-metal minerals products	140.9	8.7
Production of basic metals	64.1	5.3
Production of metal products, other than machinery and equipment	130.1	2.0
Production of machinery and equipment otherwise not mentioned	92.8	4.3
Production of furniture	242.6	0.2
Repair and assembly of machinery and equipment	106.5	0.1

Source: MONSTAT

<sup>5</sup> Overhaul of TPP Pljevlja causes Coal Mine's loss of 14,38 million euros.

Graph 1.2



Source: MONSTAT

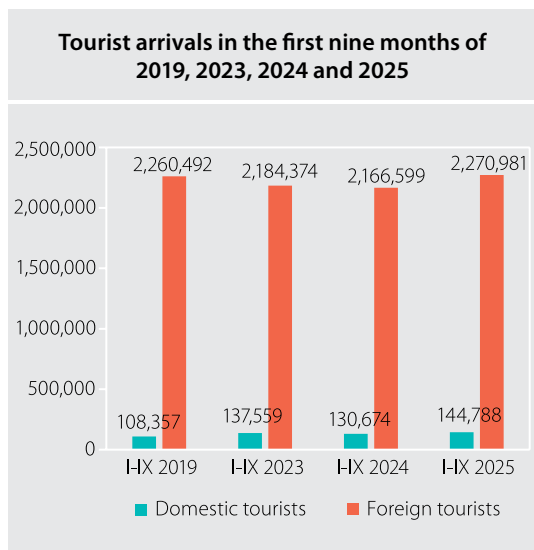
### 1.2.2. Tourism<sup>6</sup>

In the first nine months of 2025, Montenegro recorded a higher number of tourist arrivals compared to the same period of the previous year, while the number of overnight stays declined slightly. MONSTAT preliminary data show that a total of 2.42 million tourists visited Montenegro in the reporting period, which is the year-on-year rise by 5.16% and 1.98% more compared to the same period in the pre-crisis 2019 (graph 1.3). Compared year-on-year, the number of arrivals of both domestic and foreign tourists increased (10.80% and 4.82%, respectively) while its increase compared to the pre-crisis year amounted to 33.62% and 0.46%, respectively.

In the reporting period, in the total structure of overnights, the most represented were tourists from Serbia (17.84%), Bosnia and Herzegovina (7.92%), the Russian Federation (7.02%), Germany (5.17%), Türkiye (4.92%), the United Kingdom (4.32%), Israel (3.83%), France (3.65%), Kosovo (3.39%), Poland (3.37%), Ukraine (2.78%), and China (2.68%) (graph 1.4). The growth was recorded from the most of countries with significant share in the structure of total arrivals except Türkiye (13.14% decline), Ko-

<sup>6</sup> Preliminary data until the publishing of final data for 2025.

Graph 1.3



Source: MONSTAT

sovo (12.26% decline) and Bosnia and Herzegovina (3.66% decline).

During the reporting period, there were 13.59 million overnights or 1.89% less than in the comparative period of the previous year (graph 1.5). Out of the total number of overnights, domestic tourists realized 543,848 overnights (an increase of 5.76%), while foreign tourists realized 13.05 million overnights (a decrease of 2.18%). Compared to the same period in 2019, the total number of overnights was 1.88% higher, whereby the number of domestic tourists overnights and foreign tourist overnights rose by 23.23% and 1.15%, respectively.

The highest number of overnights was in individual accommodation (65.99% of total overnights), with a decrease of 2.69%. This was mainly due to a decline in overnights by tourists from the Russian Federation (14.72%), Bosnia and Herzegovina (5.53%), and Serbia (2.62%), who together account for 56.71% of overnight stays in individual accommodation. Overnights in collective accommodation<sup>7</sup> (with a share of 34.01% of total overnight stays) declined by mere 0.30%. The coastal region continually records the highest number of overnights in collective accommodations (89.24%). Overnights in the capital accounted for 5.95%, those in the mountainous areas for 2.88%, while overnight stays in other tourist destinations amounted to 1.93%.

In the reporting period, in the total structure of overnights, the most represented were tourists from Serbia (23.53%), the Russian Federation (14.35%), Bosnia and Herzegovina (8.23%), Germany (4.31%),

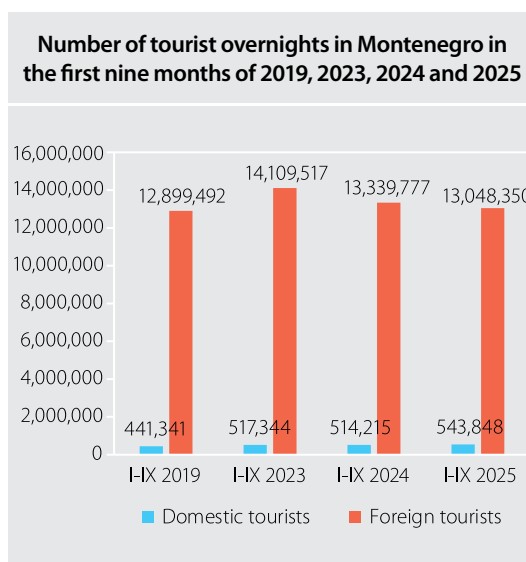
<sup>7</sup> Collective accommodation establishments include hotels, boarding houses, motels, tourist resorts, vacation facilities, hostels, camping sites, etc.

Graph 1.4



Source: MONSTAT

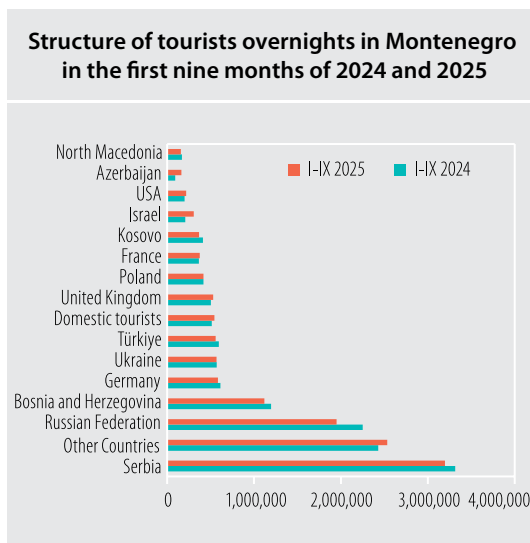
Graph 1.5



Source: MONSTAT

Ukraine (4.18%), Türkiye (4.11%), the United Kingdom (3.90%), Poland (3.07%), and France (2.75%) (graph 1.6). A year-on-year decline in overnights was recorded in many countries with a significant share in the structure, while tourists from the United Kingdom, France and Israel recorded increases in arrivals (5.15%, 2.57% and 47.21% respectively).

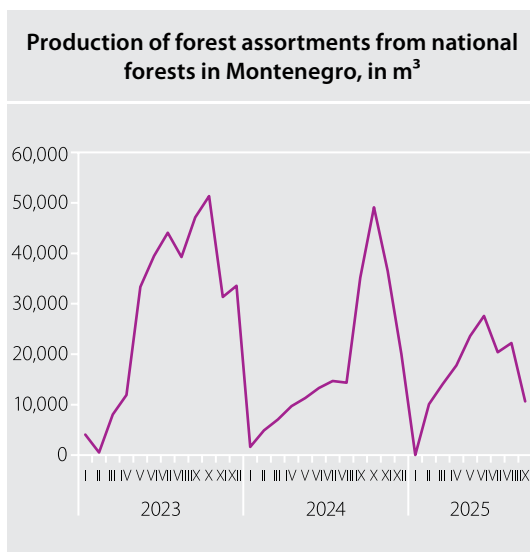
Graph 1.6



Source: MONSTAT

To further improve tourism data in the country, the Government of Montenegro adopted the *Analysis of Digital Flows and Tools in Montenegrin Tourism*<sup>8</sup> in July. The analysis assesses the current situation, identifies challenges, and offers recommendations for the effective operation of the Tourism Information System (TIS). The introduction of TIS is one of the strategic priorities of the Government of Montenegro, in line with the objectives of the Reform Agenda 2022–2026 and national digital transformation documents. As the central digital platform for recording tourists, accommodation facilities, check-ins and check-outs, and fees management, TIS will enable accurate, up-to-date, and readily accessible real-time data for all relevant institutions (for more details, see the document linked in the footnote)<sup>9</sup>.

Graph 1.7



Source: MONSTAT

### 1.2.3. Forestry

According to MONSTAT data, a total of 146,339 m<sup>3</sup> of forest assortments from the state forests<sup>10</sup> were produced in the first quarter of 2025 (graph 1.7), which is 30.61% more than in the comparative period of the previous year (or 37.6% more presented in weighted index). In the structure of produced assortments, coniferous species accounted for 69.36%, the largest share of which was related to log production (78.38%). The production of broadleaved species accounted for 30.64% of the total production, with the largest share also relating to log production (51.49%).

At the beginning of October, the Government of Montenegro adopted the *Decision to establish the limited liability company “Crna Gora Šume”*<sup>11</sup> (Montenegro Forests). This decision stems from the Law Amending the Law on Forests adopted

<sup>8</sup> Source: The 92<sup>nd</sup> Montenegrin Cabinet session held on 31 July 2025

<sup>9</sup> <https://www.gov.me/dokumenta/c870f8fc-6711-4bbe-b16c-c14772ff79d2>

<sup>10</sup> The total 2025 production of forest assortments (from national and private forests) is to be published by MONSTAT at end-2026.

<sup>11</sup> OGM 113/2025, as of 07 October 2025

last July, which introduced a new model of forest management to replace the previous concession-based system. The company will be managed by the Government of Montenegro and will engage in forest cultivation and other forestry activities, tree cutting, forestry-related services, and other activities defined in Article 4 of the Decision.

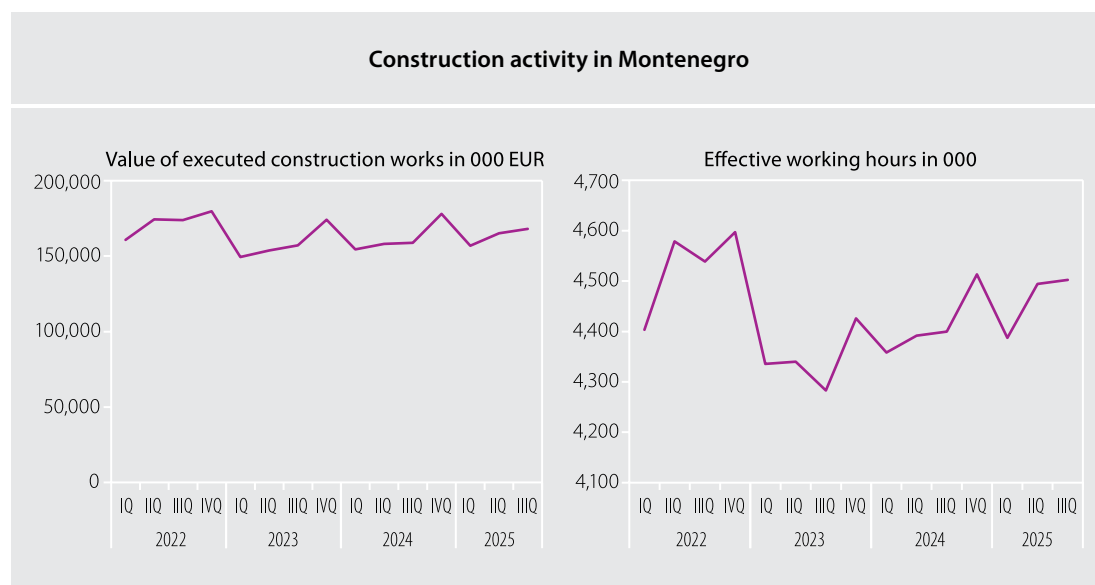
### 1.2.4. Construction

The construction sector saw an increase in the indicators of completed construction works and effective working hours, and a significant rise in the number of building permits issued, while the value of new contracts for buildings and other construction works declined. Preliminary MONSTAT data indicate that compared to the same period of the previous year, *the value of executed construction works* increased by 3.96% (it amounted to 490.18 million euros), while *construction activity measured by the effective working hours* grew by 1.77% (it amounted to 13.38 million euros) (graph 1.8).

*The value of new contracts on other buildings* decreased by 66.45% and amounted to 28.10 million euros, while *the value of new contracts on other construction sites* declined by 26.26% (it amounted to 82.70 million euros). At the same time, the highest number of building permits (305) was issued compared with the same period over the past eight years; however, the number of residential units and the total floor area envisaged under these permits was lower than in the previous three years (809 units, 59,985 m<sup>2</sup>).

The growth of this sector in the coming period is expected to be supported by significant funding for capital infrastructure projects planned in the Draft Law on the Budget of Montenegro for 2026 and by funds allocated from the Growth Plan for the Western Balkans<sup>12</sup>.

Graph 1.8



Source: MONSTAT

<sup>12</sup> 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.

In June, one of the most important documents was adopted, the Spatial Plan of Montenegro up to 2040, which provides clear guidelines for future investors, while decisions on specific construction projects remain within the competence of local self-government authorities.

### 1.2.5. Transport

During the first nine months of 2025, according to preliminary data from MONSTAT, year-on-year growth was recorded in road and air passenger transport and in freight traffic at ports, while a decline was recorded in railway passenger transport and in road and air freight transport (freight transport at airports).

Thus, road passenger transport increased 1.16%<sup>13</sup> year-over-year (graph 1.9), while road freight transport decreased by 1.05%<sup>14</sup>. In the reporting period, the number of passengers in railway transport decreased by 11.57%, as did the cargo transport by 1.34%. Further development of road transport will be supported by a 200 million euros loan agreement which the Government of Montenegro signed with the European Bank for Reconstruction and Development in July, and is intended for the continuation of construction of the Bar–Boljare highway (the Matešev–Andrijevića section). In addition to the loan, the EU is providing 150 million euros as non-repayable grant funding for this project, with the completion deadline set for 2030.

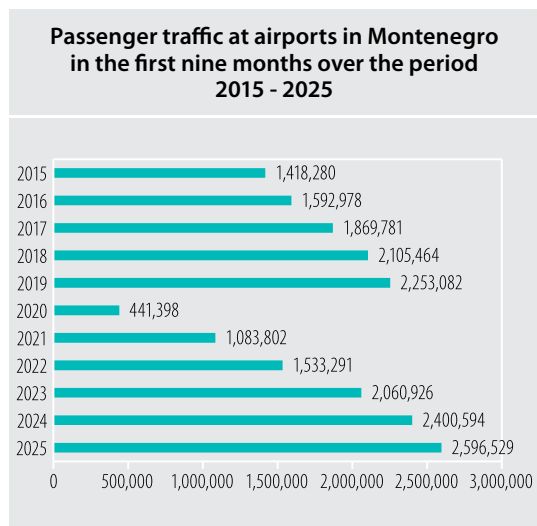
When it comes to passenger air transport, a total of 2.60 million passengers were transported in the same period, which is 8.16% passengers more year-on-year and the highest number of passengers in the comparable ten-year period (graph 1.10). Tivat airport recorded a significant y-o-y growth of 19.72%, while Podgorica airport recorded a mere 0.14% growth. Most of the passengers came from Serbia, Türkiye, the United Kingdom, Poland, Israel, Germany and Austria. In the coming period, a further increase in the number of passengers carried by air transport is expected, as the airline Wizz Air will open its 36<sup>th</sup> base in Podgorica in March 2026. From the next season, it will offer a total of 23

Graph 1.9



Source: MONSTAT

Graph 1.10



Source: MONSTAT

<sup>13</sup> Expressed through the number of transported passengers, while if expressed through passenger km, passenger transport dropped by 0.73%.

<sup>14</sup> Expressed through transported goods in thousand tonnes, while presented in ton-kilometres, it increased by 75.71%.

air routes connecting Montenegro with 12 countries.<sup>15</sup> Unlike the passenger transport, freight transport at airports declined during the reporting period by 8.28% year on year, amounting to 465 tonnes.

Total turnover of goods in ports amounted to 1.90 million tonnes and it was 1.58 higher compared to the previous year, with exports accounting for 50.50% and imports made up 49.50%. According to MONSTAT data, the export of goods to Montenegrin ports, expressed in tons, decreased by 16.02% mainly due to the drop in the exports to Croatia, Greece, China, and Türkiye. The import of goods in tons in Montenegrin ports increased by 49.50%, mainly due to higher imports from Croatia, Greece and Italy. The equipment for the Gvozd wind farm also arrived via the Port of Bar, contributing partially to the increase in freight imports at ports.

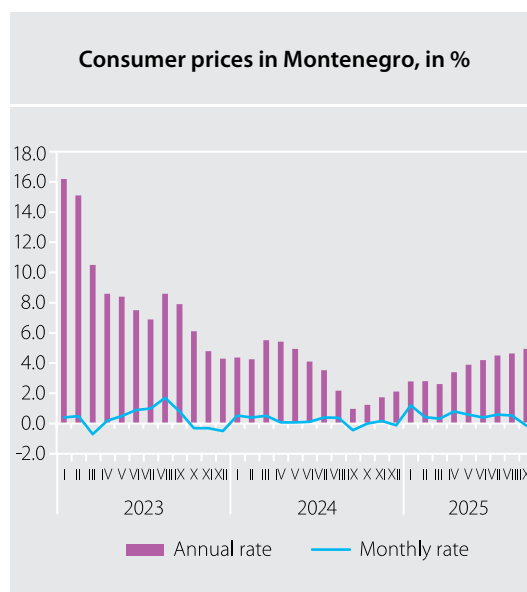
### 1.3. Prices

During the first nine months of 2025, global inflation had a mild slowdown with notable differences by countries. The IMF's<sup>16</sup> October 2025 forecast shows that global average inflation will amount to 4.2% this year (dropping from 5.8% in 2024), while the ECB's<sup>17</sup> December forecast shows that the average inflation rate in the euro area will be 2.1% (drop from 2.4% in 2024) to additionally drop in 2026 (to 1.9%).

In Montenegro, according to MONSTAT data, *during the first nine months of this year*, consumer prices, as the official measure of inflation, were on average 3.8% higher than in the same period of the previous year, when average consumer prices recorded an annual increase of 3.9% (meaning that the average annual inflation rate in the first nine months of this year declined by 0.1 pp). In September 2025, compared with the same month of the previous year, consumer prices were on average 4.9% higher, as was their increase compared with December 2024 (graph 1.11).

Compared to the previous year-end, the growth in September 2025 was recorded in nine (of twelve) categories within the consumer basket which accounted for 86.42% of the basket (table 1.3). Within these nine categories, the overall price increase of 4.9% was mainly driven by four categories, whose combined contribution amounted to 4.71 pp. These were: food and non-alcoholic beverages (contribution of 2.67 pp), housing, water, electricity, gas and other fuels (contribution of 0.98 pp), restaurants and hotels (contribution of 0.55 pp), and health (contribution of 0.50 pp). The growth of the remaining five categories contributed with only 0.88 pp in total price increase.

Graph 1.11



Source: MONSTAT

<sup>15</sup> <https://montenegroairports.com/en/uncategorized/wizz-air-announces-podgorica-base-unlocking-new-horizons-for-montenegros-capital/>

<sup>16</sup> Source: IMF - *World Economic Outlook, October 2025*, 14 October 2025

<sup>17</sup> Source: ECB - *Eurosystem staff macroeconomic projections for the euro area*, December 2025

Table 1.3

Growth rate and contribution of individual categories in total inflation <sup>18</sup> in Montenegro				
	Weights	IX 25 / XII 24	Growth rate	Contribution
TOTAL	1,000.0	104.9	4.9	4.9
Food and non-alcoholic beverages	348.6	107.7	7.7	2.7
Alcoholic beverages and tobacco	38.8	106.2	6.2	0.2
Clothing and footwear	74.2	91.2	-8.8	-0.7
Housing, water, electricity, gas and other fuels	144.7	106.8	6.8	1.0
Furnishing, household equipment and routine household maintenance	45.2	103.7	3.7	0.2
Health care	38.8	112.9	12.9	0.5
Transport	109.4	101.1	1.1	0.1
Communications	44.1	99.4	-0.6	0.0
Recreation and culture	31.0	105.4	5.4	0.2
Education	17.6	100.0	0.0	0.0
Restaurants and hotels	56.3	109.8	9.8	0.6
Miscellaneous goods and services	51.4	103.5	3.5	0.2

Source: MONSTAT and CBCG calculations

Price growth in food and non-alcoholic beverages of 7.7% was the main contributor to the growth of total inflation (with 2.67 pp), mostly as a result of the increase in the prices of fruits (44.2%), oils and fats (13.1%), non-alcoholic beverages (12.0%), meat (6.8%), milk, cheese and eggs (4.8%) and vegetables (4.6%).

The second largest and most significant contribution (0.98 pp) to price growth in September 2025 compared with December 2024 came from an increase in prices in the category of housing, water, electricity, gas and other fuels of 6.8%. This was mainly the result of a substantial rise in actual rents for housing of 21.2% (due to a significant increase in demand for housing in Montenegro), and an increase in the water supply group of 24.1% (due to higher water prices in some municipalities (Podgorica and Bar) from this January).

The restaurants and hotels category made the third largest contribution to the increase in overall inflation, at 0.55 pp, while the 9.8% rise in prices in this category was primarily driven by higher accommodation service prices (up 12.0%) and food and beverage services in hospitality (up 8.5%).

The increase in prices within the alcoholic beverages and tobacco category made the next largest contribution to the overall price growth in the reporting period (0.50 pp), amounting to 12.9%, primarily due to a 15.0% rise in prices of pharmaceutical products. In order to limit their price increase, the Law Amending the Law on Medicines<sup>19</sup> was adopted in March, enabling the regulation of prices for around 900 medicines that are not included on the list of mandatory health insurance coverage.

In the reporting period, price growth was also recorded in the categories: alcoholic beverages and tobacco (6.2%), recreation and culture (5.4%), furnishing, household equipment and routine household maintenance (3.7%), miscellaneous goods and services (3.5%), and transport (1.1%). Prices drop was recorded

<sup>18</sup> We reiterate that regardless of the index changes, the contribution shares of individual categories is recorded at the second and/or third decimal due to weighting structure.

<sup>19</sup> OGM 35/2025 of 2 April 2025

in only two categories, clothing and footwear and communications with 8.8% and 0.6%, respectively, while prices under education recorded no change in September 2025 compared to December 2024.

### Box 1.3 – Government of Montenegro Measures to Mitigate Rising Living Costs and Protect Consumers

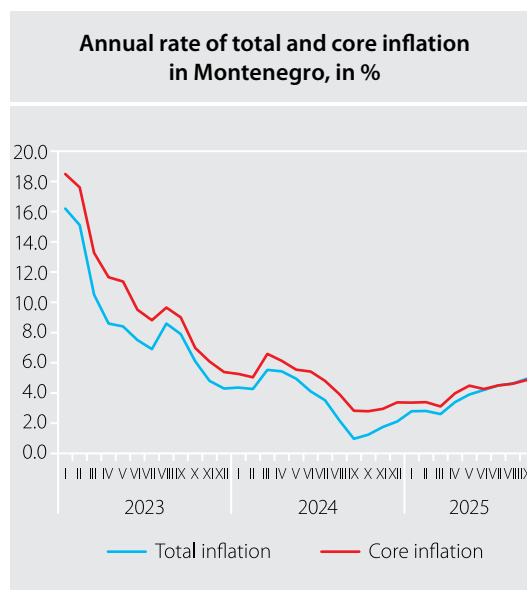
To curb price increases in certain product categories and protect vulnerable consumer groups with lower incomes, the Government extended the “Limited Prices” campaign from the previous year until 30 April 2025. This campaign involved capping retail margins for 73 types of products (covering several hundred items when accounting for different weights and manufacturers). In September 2025, as a measure to limit certain prices in stores, the Government of Montenegro adopted the *Decision on temporary measures to limit the prices of products of special importance for people’s life and health and the list of products*<sup>20</sup>.

The decision covers basic food items, certain dairy and meat products, flour, oil, hygiene products, and baby products. The product list was compiled based on their share in the consumer basket of the average household, frequency of use, and importance for daily life and public health, with a particular focus on domestic products. The decision also sets a cap on pellet prices, limiting them to a maximum of 250 euros per tonne for entities registered for pellet production and up to 270 euros per tonne in retail sales. The decision is valid until 31 March 2026 and applies to retail operators with a total sales area exceeding 600 m<sup>2</sup>.

The *annual core inflation rate* (which, unlike overall inflation, excludes seasonal food products, administratively regulated items, oil and oil derivatives, and similar products)<sup>21</sup> stood at 4.9% in September 2025 and it was 0.09 pp lower than the overall annual inflation<sup>22</sup>, due to the increase or smaller decline in prices of certain products included in the calculation of overall inflation but excluded from the core inflation measure (such as prices of certain agricultural products, pharmaceutical products, fuels and lubricants, etc.) (graph 1.12).

The *overall annual inflation* in September 2025, compared with September 2024, amounted to 4.9%. The largest contribution to this increase, totalling 3.88 pp, came from *food and non-alcoholic beverages* (contributing 2.31 pp) with a price increase of 6.6%; *housing, water, electricity, gas and*

Graph 1.12



Source: MONSTAT and CBCG calculations

<sup>20</sup> Source: 102<sup>nd</sup> Cabinet session held on 6 November 2025

<sup>21</sup> Core inflation is used as an indicator of the trend of the long-term rate or future rate of inflation, i.e. it enables the distinction between temporary price shocks and long-term inflation. Total annual inflation is an indicator of the average price change of all products and services used by households for consumption purposes. Read more on the methodology at: [https://www.cbcbg.me/slike\\_i\\_fajlovi/eng/fajlovi/fajlovi\\_publicacije/radne\\_studije/obracun\\_bazicne\\_stope\\_inflacije\\_english.pdf](https://www.cbcbg.me/slike_i_fajlovi/eng/fajlovi/fajlovi_publicacije/radne_studije/obracun_bazicne_stope_inflacije_english.pdf)

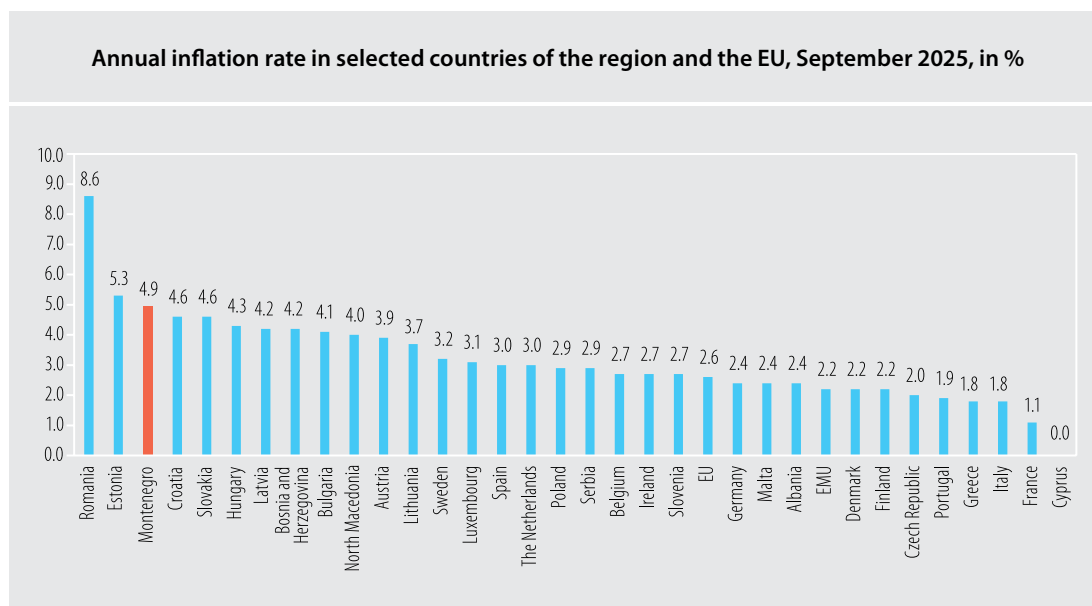
<sup>22</sup> Derived to one-decimal figure, annual total and core inflation amounted to 4.9% in September. The difference is 0.09 pp.

*other fuels* (contributing 1.05 pp) with a price rise of 7.3%; and *health* (contributing 0.52 pp) with a price increase of 13.4%.

The highest annual rate of consumer prices among *countries in the region* in September 2025 was recorded in Bosnia and Herzegovina (4.2%), North Macedonia (4.0%), Serbia (2.9%) and Albania (2.4%). Serbia recorded a significant inflation slowdown (from 4.7% in August), due to the implementation of the Decree on special conditions for trade in certain types of goods, which limited wholesale and retail margins to 20% for six months.<sup>23</sup>

**The annual inflation rate recorded in the EU**, measured by the harmonized index of consumer prices<sup>24</sup> was 2.6% in September 2025. Of the EU member states, the highest annual rate was recorded in Romania (8.6%) and the lowest in Cyprus (0.0%) and France (1.1%) (graph 1.13). The annual HICP 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 1.49 pp and 0.58 pp came from the annual price growth of services and food, alcoholic beverages and tobacco with 3.2% and 3.0%, respectively. In its December report<sup>25</sup>, the European Central Bank forecast inflation in the euro area of 2.1% in 2025 and 1.9% in 2026. Compared with the previous projections from September, expected inflation for 2026 has been revised upward by 0.2 pp, due to “surprisingly high inflation outcomes for energy prices, services, and non-energy industrial goods compared with expectations”.<sup>26</sup>

**Graph 1.13**



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

<sup>23</sup> National Bank of Serbia – Macroeconomic Developments and Financial Sector Movements in Serbia, October 2025.

<sup>24</sup> 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.

<sup>25</sup> Source: ECB - Eurosystem staff macroeconomic projections for the euro area, December 2025

<sup>26</sup> [https://www.ecb.europa.eu/press/projections/html/ecb.projections202512\\_eurosystemstaff-12ead61977.en.html](https://www.ecb.europa.eu/press/projections/html/ecb.projections202512_eurosystemstaff-12ead61977.en.html)

*Producers' prices of manufactured products* recorded an increase of 0.9% in June this year compared to December 2024. Price growth was recorded in manufacturing industry and the mining and quarrying sector of 1.5% and 0.8%, respectively, while prices in the electricity, gas and steam supply sector remained the same. At the annual level, producers' prices rose by 2.7% in September.

Over the period January-September 2025, the year-over-year increase of 3.9% was seen in internal retail trade, expressed in constant prices (7.5% in current prices) due to the growing demand. In September 2025, the year-over-year increase of 6.7% was seen in constant prices (11.5% in current prices).

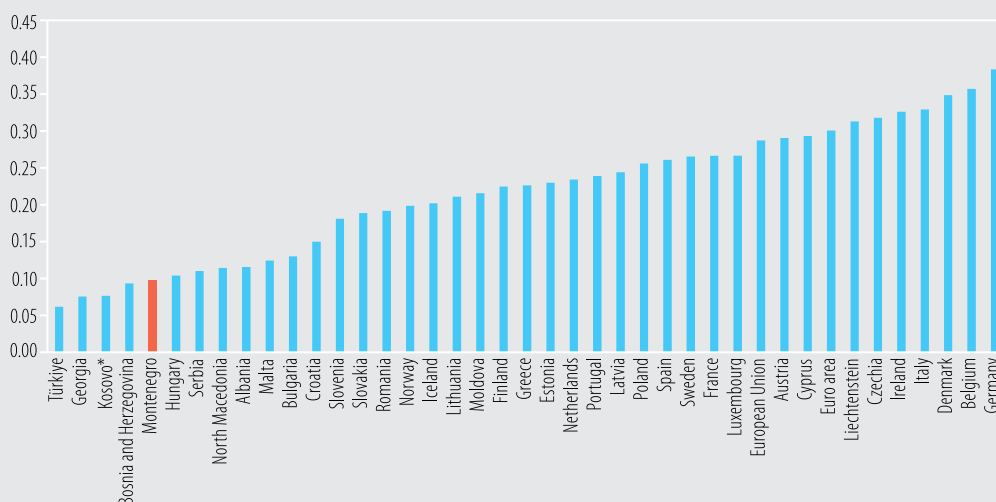
### Box 1.4 – Montenegro Among Countries with Lower Electricity Prices

Eurostat data show that household electricity prices in Montenegro remained relatively stable between 2020 and 2025, without the record spikes observed in many EU countries. Montenegro stands out in Europe as one of the countries with the lowest electricity prices, thanks to domestic production and lower taxes.

Countries such as Germany, Italy, Belgium, Greece, and Ireland experienced significant electricity price increases due to the war in Ukraine and global disruptions, while Montenegro, Bosnia and Herzegovina, Hungary, and Bulgaria maintained stability through state measures and domestic energy sources.

#### Graph 1

Prices of electricity in Europe in the first half of 2025



Source: Eurostat

[https://ec.europa.eu/eurostat/databrowser/view/nrg\\_pc\\_204\\_custom\\_19250839/default/table](https://ec.europa.eu/eurostat/databrowser/view/nrg_pc_204_custom_19250839/default/table)

Although retail electric current prices in Montenegro are liberalised, EPCG has kept prices below market levels for most consumers, despite turbulence on international markets. During the energy crisis in previous years, EPCG maintained fixed retail prices to protect citizens and businesses, despite high international prices, supported by rising revenues from exports and sales to other customers at market prices. According to OECD research conducted before the energy crisis, retail electricity prices for

households in Montenegro were 11.7% lower than the synthetic market-consistent reference price<sup>27</sup>. Since 2023, retail prices for households have been 89% lower than the market-consistent reference prices.

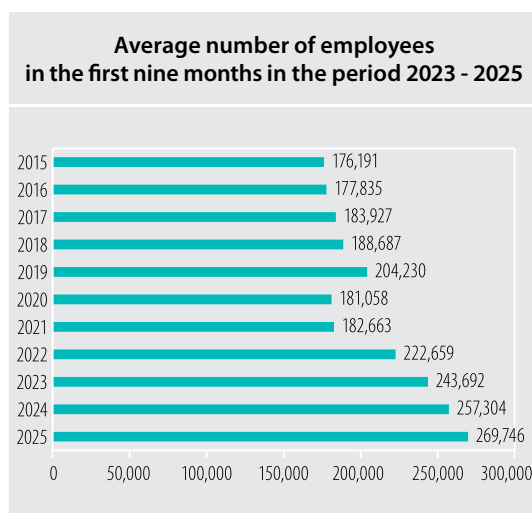
## 1.4. Labour Market

Following the implementation of the *Europe Now 2* programme since October 2024 (part of Montenegro's Fiscal Strategy for 2024–2027, which introduced an increase in the minimum wage from 450 to 600, and then to 800 euros and a reduction in employee pension contributions from 15% to 10%), positive labour market recorded results during the first nine months of 2025. Employment and wages and salaries increased while registered unemployment rate decreased.

### Employment

The average number of employees in the reporting period was 269,746, which represents a growth of 4.84% on an annual basis. The employment growth was seen in most industries, with the highest being in construction (13.02%) and real estate activities (10.82%), respectively. The lowest increase was seen in state administration and defence, compulsory social security and human health and social work activities (0.05% and 1.71%, respectively). The information and communication and the mining and quarrying sectors recorded a slight decline in employment (2.40% and 1.57%, respectively). In March this year, the total number of employees was 272,599 or 5.62% more year-over-year.

Graph 1.14



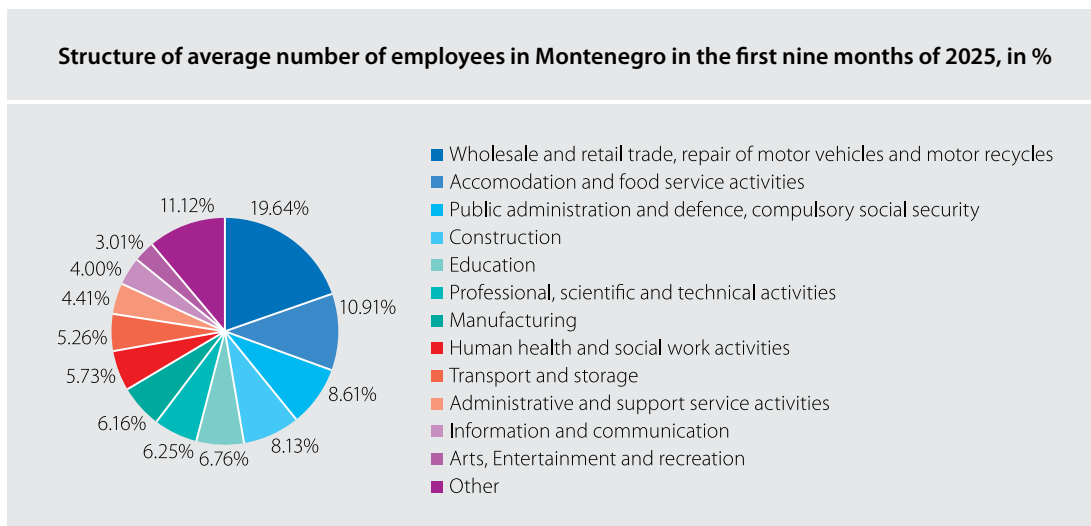
Source: MONSTAT

The structure of employees (graph 1.15) shows that the largest number of employees were in the wholesale and retail trade, repair of motor vehicles and motorcycles (19.64%). A significant share in total employment was also in accommodation and food services (10.91%), state administration and defence, compulsory social insurance (8.61%), construction (8.13%), education (6.76%), scientific and technical activities (6.25%), manufacturing industry (6.16%) and health and social care (5.73%).

<sup>27</sup> OECD: *Energy Prices and Subsidies in the Western Balkans, May 2025 - Energy prices and subsidies in Montenegro: Energy Prices and Subsidies in the Western Balkans* | OECD

The synthetic market-consistent benchmark price represents a simulated or calculated reference electricity price that would prevail on an open market without subsidies, regulations, or government interventions.

Graph 1.15



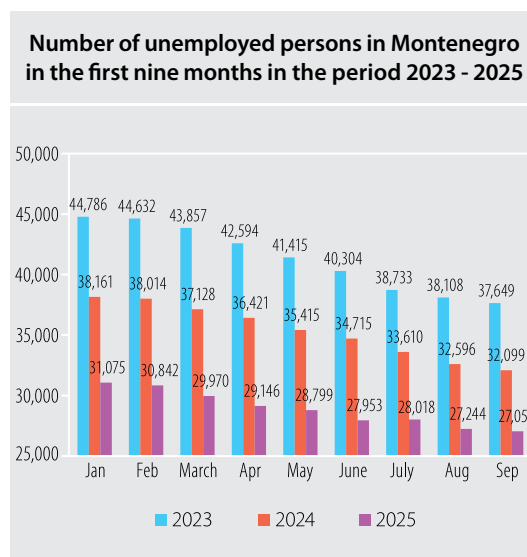
Source: MONSTAT

At the end of September 2025, there were 27.052 unemployed persons on the records of the Employment Agency of Montenegro, which is 15.72% less than in the same month of the previous year (graph 1.16). It is also the lowest number since August 2009. In the first nine months of 2025, the number of registered unemployed persons averaged at 28,900, which is 18.25% less on the annual basis.

In July, given the growing need to strengthen ICT skills in the labour market, the Government of Montenegro adopted the support Programme to Strengthen Skills in the Information and Communication Technology (ICT) Sector for 2026. “Acquiring digital skills, enhancing soft skills, promoting problem-solving and lifelong learning are pillars identified for human capital development and job creation in Montenegro. This programme directly addresses these priorities, aiming to create a sustainable, resilient, and competitive economy.”<sup>28</sup>

The pilot phase of the “Youth Guarantee”<sup>29</sup> Programme is currently being implemented in three municipalities: Bijelo Polje, Nikšić, and Ulcinj (as part of the implementation plan for the “Youth Guarantee” Programme 2024–2026). 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

Graph 1.16

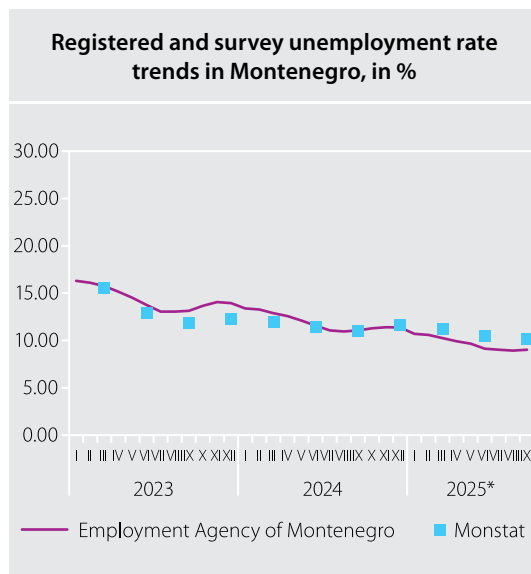


Source: Employment Agency of Montenegro

<sup>28</sup> Source: The 89<sup>th</sup> Cabinet session held on 10 July 2025

<sup>29</sup> More on the project [Youth Guarantee – ZZZGRABI ŠANSU \(GRAB YOUR CHANCE\) - Employment Agency of Montenegro | ZZZCG](#)

Graph 1.17



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 periods.<sup>33</sup>

months of leaving education or training, or becoming unemployed, receives a quality offer for a job, internship, further training, or continuation of education.

According to the EAM data, the registered unemployment rate was 9.03%<sup>30</sup> at the end of September 2025 and is 2.03 pp lower than the unemployment rate at the end of the previous year (it stood at 8.93% in August, being the lowest since the EAM<sup>31</sup> has been recording it). On the quarterly level, MONSTAT publishes different unemployment rate in the Labour Force Survey which is in compliance with the EUROSTAT recommendations. Graph 1.17 shows trends of these two rates, and more information on the calculation methodology can be found at the link in the footnote<sup>32</sup>.

This August, the registered unemployment rate in Montenegro stood at 8.93%, representing the lowest level since the EAM<sup>34</sup> has been keeping records.

## Earnings

MONSTAT data show that the average gross salary amounted to 1,205 euros in the first nine months of 2025, while the average salary without taxes and contributions stood at 1,011 euros, and they both rose year-on-year by 14.54% and 20.36%, 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 1 October 2024.

The largest wages without taxes and contributions were recorded in the *financial and insurance activities* (1,621 euros) and *electricity, gas, steam, and air conditioning supply* (1,404 euros), while the lowest earnings had employees in *administrative and ancillary services* sector (845 euros) and *manufacturing industry* (875 euros) (table 1.4). The highest increase in wages and salaries without taxes and contributions was recorded in the *real estate activities* (34.81%), followed by *professional, scientific and technical*

<sup>30</sup> The registered unemployment rate is calculated by the EAM and it represents the ratio of the number of registered unemployed persons from the EAM records in a given month and the active population (employed + unemployed) according to the Population Census.

<sup>31</sup> <https://www.zzzcg.me/me/aktuelno/1148-jednocifrena-stopa-nezaposlenosti-istorijski-rezultat-na-trzistu-rada-crne-gore>

<sup>32</sup> 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)

<sup>33</sup> 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: ECB, June 2025

<sup>34</sup> <https://www.zzzcg.me/me/aktuelno/1148-jednocifrena-stopa-nezaposlenosti-istorijski-rezultat-na-trzistu-rada-crne-gore>

activities (30.13%), manufacturing industry (29.82%), retail trade; repair of motor vehicles and motorcycles (29.03%), while the least growing earnings were in the mining and quarrying sector (11.20%).

**Table 1.4**

<b>Average earnings without taxes and contributions in Montenegro, in euros, by sectors</b>			
	Earnings without taxes and contributions		Index
	Ø I – IX 2024	Ø I – IX 2025	$\frac{\text{Ø I – IX 2025}}{\text{Ø I – IX 2024}}$
TOTAL	840	1,011	120.36
Agriculture, forestry and fishery	784	928	118.37
Mining and quarrying	1,045	1,162	111.20
Manufacturing industry	674	875	129.82
Electricity, gas and steam and air conditioning supply	1,222	1,404	114.89
Water supply and waste water management	798	911	114.16
Construction	782	985	125.96
Wholesale and retail trade; repair of motor vehicles and motorcycles	720	929	129.03
Transport and warehousing	796	984	123.62
Accommodation and food service activities	793	1,016	128.12
Information and communications	1,076	1,334	123.98
Financial and insurance activities	1,312	1,621	123.55
Real estate activities	1,014	1,367	134.81
Professional, scientific and technical activities	790	1,028	130.13
Administrative and ancillary service activities	673	845	125.56
State administration and defence, compulsory social security	937	1,043	111.31
Education	831	951	114.44
Human health and social work activities	914	1,026	112.25
Arts, entertainment and recreation	763	907	118.87
Other service activities	749	909	121.36

Source: MONSTAT

**Box 1.5 – Average earnings in countries of the former Yugoslavia, September 2025**

Data on average salaries in September 2025 show substantial difference in reference to individual countries of the former Yugoslavia. Wages and salaries without taxes and contributions in all observed countries (Slovenia, Croatia, Montenegro, Bosnia and Herzegovina, Serbia, and North Macedonia) recorded the year-on-year growth. The highest nominal growth in net annual salaries was recorded in Montenegro with 15.8% growth, Bosnia and Herzegovina 14.7%, Serbia 13.6%, Croatia 10.1%, followed by the Republic of North Macedonia with 9.3% and Slovenia 5.8%. 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 September 2025, in euros**

Country	Gross earnings	Net earnings
Slovenia	2,507	1,573
Croatia	2,025	1,456
Montenegro	1,211	1,016
Serbia	1,285	929
Bosnia and Herzegovina	1,258	810
North Macedonia	1,111	739

Source: Statistical offices and central banks of the aforementioned countries

The increase in wages in the countries of the region has mostly been the result of regulatory measures and/or the adjustment of the minimum wage in line with inflation or the national average wage at the end of 2024, and during the reporting period in 2025.