



# **Macroeconomic Report of the Central Bank of Montenegro 1/2025**

Podgorica, 2025

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## REVIEW OF MACROECONOMIC DEVELOPMENTS

	2024	Q1 2025	%
<b>REAL SECTOR DEVELOPMENTS</b>			
GDP (in current prices, in EUR million) <sup>1</sup>	7,459.2	1,433.3	
Industrial output (compared to the same period the year before) <sup>2</sup>	0.2	-4.2	
Production of forest assortments in state forests (compared to the same period the year before) <sup>2</sup>	-38.0	103.0	
Construction (compared to the same period the year before-measured by effective working hours) <sup>2</sup>	1.6	0.7	
<b>Employment</b>			
Number of employed people (December, March)	257,778	262,737	
Number of unemployed people (December, March)	33,037	29,970	
<b>Inflation rate</b>			
Consumer prices, annual rate (December, March)	2.1	2.6	
Average earnings without taxes and contributions (average for period) <sup>2</sup>	876	1,003	14.50
<b>MONETARY DEVELOPMENTS (in EUR million)<sup>3</sup></b>			
Total deposits	5,838.8	5,630.7	-3.56
Nonfinancial sector deposit	1,733.4	1,586.3	-8.48
Household deposits	2,154.9	2,155.9	0.05
General Government deposits	498.6	477.7	-4.19
Central Government	325.4	301.5	-7.33
Local Government	168.5	170.6	1.27
Social security funds	4.7	5.5	16.99
Financial sector deposits	56.2	64.6	15.07
Deposits of Nongovernment and other nonprofit organizations	87.2	88.6	1.66
Deposits of non-residents	1,308.6	1,257.5	-3.90
Total loans	4,639.7	4,859.1	4.73
Loans to nonfinancial sector	1,546.4	1,623.5	4.98
Loans to households	1,969.7	2,070.1	5.09
Loans to General Government	224.3	215.3	-4.04
Central Government	202.1	193.9	-4.06
Local Government	22.3	21.4	-3.90
Social security funds	0.0	0.0	0.00
Loans to financial sector	54.3	62.3	14.70
Loans to Nongovernment and other nonprofit organizations	4.8	4.5	-6.26
Loans to non-residents	840.1	883.5	5.16
<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	1.6	
Stock exchange indices			
MNSE10	1,085.52	1,173.35	8.09
MONEX	16,433.46	17,559.71	6.85
<b>FISCAL DEVELOPMENTS<sup>4</sup> (in EUR million)</b>			
Current revenues <sup>4</sup>	3,188.68	666.22	
Expenses <sup>4</sup>	3,423.41	747.35	
Surplus/deficit <sup>4</sup>	-234.73	-81.13	
Foreign government debt (in EUR million) <sup>5</sup>	4,183.48	4,129.75	-1.28
Domestic government debt (in EUR million) <sup>5</sup>	331.30	321.06	-3.09
Debt of the local governments (in EUR million) <sup>5</sup>	59.06	57.55	-2.56
<b>EXTERNAL DEVELOPMENTS<sup>5</sup></b>			
Current account balance (in EUR million) <sup>2</sup>	-1,307.81	-504.66	
Trade balance	-3,301.13	-746.23	
Balance of services	1,583.51	116.78	
% coverage of the trade deficit with other balances	60.38	32.37	
Current account balance in % of GDP	-17.53	-35.21	

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

<sup>2</sup> Data for period I-XII 2024 and I-III 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

Economic developments in Montenegro during the first quarter of 2025 were marked by a moderate growth compared to the same period of the previous year. According to preliminary data published by MONSTAT, real GDP growth amounted to 2.8%, down from 6.3% recorded in the same period in 2024. This growth was primarily driven by increased household consumption, with a rise observed in gross investments in fixed assets as well. Projections suggest that economic growth for the remainder of the year will continue to be supported mainly by private consumption and investment, while the export of services is expected to grow at a moderate pace, and goods exports are expected to decline. This negative trend in exports is largely attributed to a projected drop in electricity production, resulting from the overhaul of the Pljevlja thermal power plant. International institutions forecast Montenegro's real GDP growth in 2025 to range between 2.6% and 3.2%, while the Central Bank of Montenegro estimates a growth of 2.7%.

Montenegro experienced a continued decline in inflation compared to the same period in 2024, mirroring trends observed in the European Union. According to MONSTAT data, consumer prices increased by an average of 2.7% year-on-year during the first quarter of 2025. In March 2025, prices were 2.6% higher year-on-year and 1.9% higher compared to December 2024.

Observed by individual branches of the economy, growth was seen in construction, retail trade, and forestry. In construction, the value of completed construction works increased by 1.47% in the first quarter, while the number of effective working hours rose by 0.67%. In the area of retail trade, there was a growth of 4.8% in constant prices and a 6.9% increase in current prices. Forestry also recorded growth, as confirmed by the data on the increase in production of forest assortments in state forests of 103.0%.

Most modes of transport experienced a decline, while total industrial production decreased, primarily due to a drop in electricity supply. MONSTAT data indicate that the annual production in this sector, which accounts for 35.8% of total industrial production, fell by 13.4%, leading to a 4.2% decline in overall industrial output, despite an 11.2% increase in mining and quarrying and a 1.9% rise in the manufacturing industry. In the transport sector, the largest declines were recorded in railway passenger transport, down 12.58%, and in freight transport at airports, down 11.85%, while growth was recorded only at Tivat Airport, which saw the year-on-year increase in passenger transport of 5.49%.

Montenegro's current account deficit increased, primarily due to a widening trade deficit. Preliminary data show that the current account deficit amounted to 504.66 million euros in the first three months of 2025, which is the year-on-year increase of 14.49%. The foreign trade deficit reached

746.23 million euros, an increase of 9.29% compared to the same period of the previous year. The deterioration of the trade balance is the result of modest growth in goods exports, amounting to only 3.01% (primarily from the export of electricity and mineral raw materials), alongside a significant increase in goods imports of 8.12% (mainly 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 services account in the balance of payments recorded a surplus at approximately the same level as in the comparable period of the previous year, while the primary income account surplus increased and the secondary income account surplus declined. The surplus on the services account amounted to 116.78 million euros, as a result of balanced growth in service revenues and expenditures, with revenues totalling 365.49 million euros and expenditures amounting to 248.71 million euros. The primary income account recorded a surplus of 29.88 million euros, representing the year-on-year increase of 15.82%, while the surplus on the secondary income account amounted to 94.91 million euros, reflecting the year-over-year decline of 4.38%.

Foreign direct investment (FDI) inflows continued to grow, with a net inflow of 122.24 million euros, representing the year-on-year increase of 3.98%. Total FDI inflow amounted to 211.76 million euros, an increase of 1.40%, with the largest contribution coming from investments in real estate in the amount of 113.51 million euros, which grew by 21%. Investments in companies and banks declined to 21.68 million euros, representing a drop of 39.99%, while intercompany debt inflow amounted to 70.11 million euros, a decrease of 7.03%. Net FDI outflow reached 89.52 million euros, which is 1.92% less than in the comparative six-month period last year.

According to preliminary data, Montenegro's gross external debt at the end of the first quarter of 2025 decreased by 124.54 million euros compared to the end of 2024. Debt reduction was recorded in both public and private sectors, with that of the public sector accounting for 44.34% and private sector for the remainder 55.66% of total external debt. Given that the euro dominates the currency structure, with approximately 95% share, foreign exchange risk is significantly reduced. The structure of the external debt of the private sector according to maturity is favourable considering that over 95% is of a long-term nature (not including deposits).

Preliminary data show a deterioration in the net international investment position. At the end of Q1 2025, the net international investment position (IIP) of Montenegro was -8,466.81 million euros, with total resident claims on non-residents amounting to 5,250.53 million euros, and liabilities amounting to 13,717.34 million euros. Compared to the end of the previous year, the negative net investment position increased by 479.57 million euros, due to a reduction in claims of 578.64 million euros, while a slight decrease in liabilities of 99.07 million euros partially offset the negative effect. Observing the net positions by investment instruments (assets minus liabilities), preliminary data indicate that other investments recorded the year-over-year increase of 191.01 million euros, while negative net positions of portfolio investments and FDI fell by 63.40 million euros and 61.90 million euros, respectively.

Key labour market indicators point to a continued positive trend in employment and a decline in unemployment in the first quarter of 2025. According to MONSTAT data, the average number of employed persons amounted to 260,801, which represents the year-on-year increase of 4.79%. Growth in employment was recorded in most sectors, with the highest increases observed in real estate activities (11.79%) and construction (11.38%). The smallest growth was recorded in public administration and defence, compulsory social security (0.31%), and human health and social

work activities (1.35%). The information and communication sector and the mining and quarrying sector registered slight declines of 2.44% and 1.89%, respectively. The number of registered unemployed persons decreased by 18.90% year-on-year, averaging at 30,629, while the registered unemployment rate at the end of March 2025 fell to 10.24%, which is 2.64 percentage points lower compared to the same month of the previous year.

According to MONSTAT data, the trend of wage growth continued. The average gross wage amounted to 1,196 euros, while the average net wage was 1,003 euros, both rising annually by 16.46% and 22.02%, 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.

In the first quarter of 2025, the government budget and public finances saw higher execution of budget expenditures and public spending compared to the same period of the previous year, while revenues remained at approximately the same level, resulting in both budget and public sector deficits. The most significant positive deviation on the revenue side was recorded in value added tax, primarily due to increased consumption. At the same time, the annual increase in realized expenditures was mostly driven by higher spending on pension and disability insurance entitlements and increased interest expenses. According to the Ministry of Finance, based on realized revenues and expenditures, a cash budget deficit of 63.96 million euros was recorded in the first quarter of 2025, which accounts for 0.81% of the projected GDP for the year. The budget deficit amounted to 81.13 million euros and it accounted for 1.02% of GDP.

The level of gross public debt, as well as its share in projected GDP, was reduced. According to data from the Ministry of Finance, Montenegro's gross public debt at the end of March 2025 amounted to 4.51 billion euros or 56.93% of GDP, reflecting a decrease of 1.43% compared to the end of the previous year, as a result of regular repayment of maturing debt obligations. Of the total amount of gross government debt, 321.06 million euros or 4.05% of GDP referred to the national debt, 4.13 million euros or 52.15% referred to the external debt, and the debt of local self-governments accounted for 57.55 million euros or 0.73%. Net public debt totalled 4.21 billion euros or 53.15% of GDP. Despite the recorded decrease, the level of public debt — especially its external component — remains a challenge for future fiscal policy due to the upcoming maturities of large amounts of Eurobonds.

During the observed period, the banking sector remained stable, well-capitalized, and profitable, continuing to be the most resilient segment of Montenegro's economy. At end-March 2025, liquid assets of banks amounted to 1,276.56 million euros, with the capital adequacy ratio standing at 20.14%. The total assets of the banking sector amounted to 7,136.19 million euros, representing an annual increase of 7.78%, although a decline of 1.58% was recorded compared to the end of the previous year. Total loans amounted to 4,859.13 million euros and increased during the first quarter at an average monthly rate of 1.55%, while total deposits amounted to 5,630.74 million euros, recording an average monthly decline of 1.20%. The share of non-performing loans fell to 3.16%, which is 1.77 pp lower year-on-year. The banking sector recorded a positive financial result in the total amount of 34.17 million euros, which is the year-on-year increase of 11.63%.

In the first quarter of 2025, the downward trend in the weighted average lending interest rate on new loans that had begun the previous year continued in the reporting period, while the interest rate on deposits recorded a slight increase compared to the end of the previous year. The weighted average effective lending interest rate (WAEIR) on total loans stood at 6.41% at the end

of March 2025. The WAEIR on new loans was 5.98%, reflecting the year-on-year decline of 1.45 pp. The WAEIR on new retail loans was 6.98%, down by 1.81 pp compared to the first quarter of 2024, and this decline was partly the result of the continued interest rate reduction initiative on these loans launched by the CBCG in March 2024 and supported by all Montenegrin banks. Additional factors contributing to the decline in the WAEIR on new loans include the stabilisation of benchmark market interest rates and easing pressures in international capital markets. At end-March 2025, the weighted average deposit effective interest rate was 0.27% and it remained unchanged year-over-year yet 0.02 pp higher compared to the end of the previous year.

**During the reporting period, some financial service providers recorded significant growth in both total assets and financial results.** At end-March this year, total assets and liabilities of microfinance institutions (MFIs) amounted to 120.80 million euros, which is a 26.88% increase year-on-year and a 8.76% growth compared to the end of the previous year. The financial result of MFIs during the first three months of 2025 amounted to 1.24 million euros, marking the year-on-year increase of 27.62%. Total assets and liabilities of factoring companies amounted to 11.90 million euros, which is a 49.10% increase year-on-year and a 4.62% growth compared to the end of 2024. On the other hand, companies for the purchase of receivables had the assets and liabilities worth 8.14 million euros, dropping by 2.55% at the annual level and 0.71% compared to the end of the previous year. Total assets and liabilities of the Development Bank amounted to 405.66 million euros, which is a 4.47% decline year-on-year and a 3.30% decrease compared to the end of the previous year. The Development Bank reported a financial result of 2.42 million euros, which is a decrease of 24.16% year-on-year.

# 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%<sup>1</sup> (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

<sup>1</sup> 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 EU<sup>2</sup> 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).

<sup>2</sup> Source: 50<sup>th</sup> Montenegrin Cabinet session held on 26 September 2024

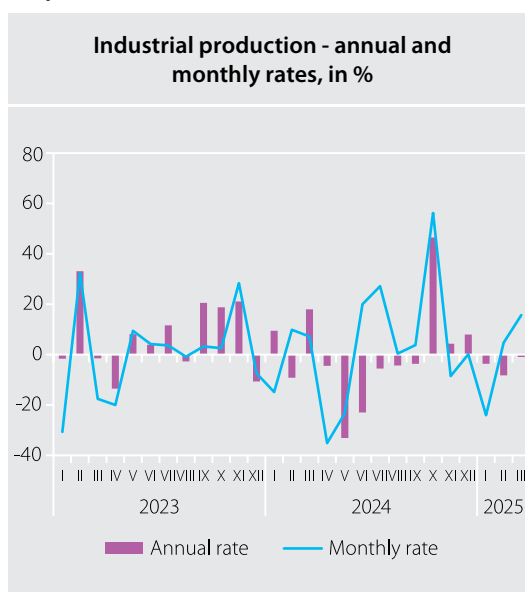
## 1.2. Activities

### 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)<sup>3</sup>.

*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

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

industrial development in the Industrial Policy of Montenegro 2024–2028<sup>4</sup>, 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

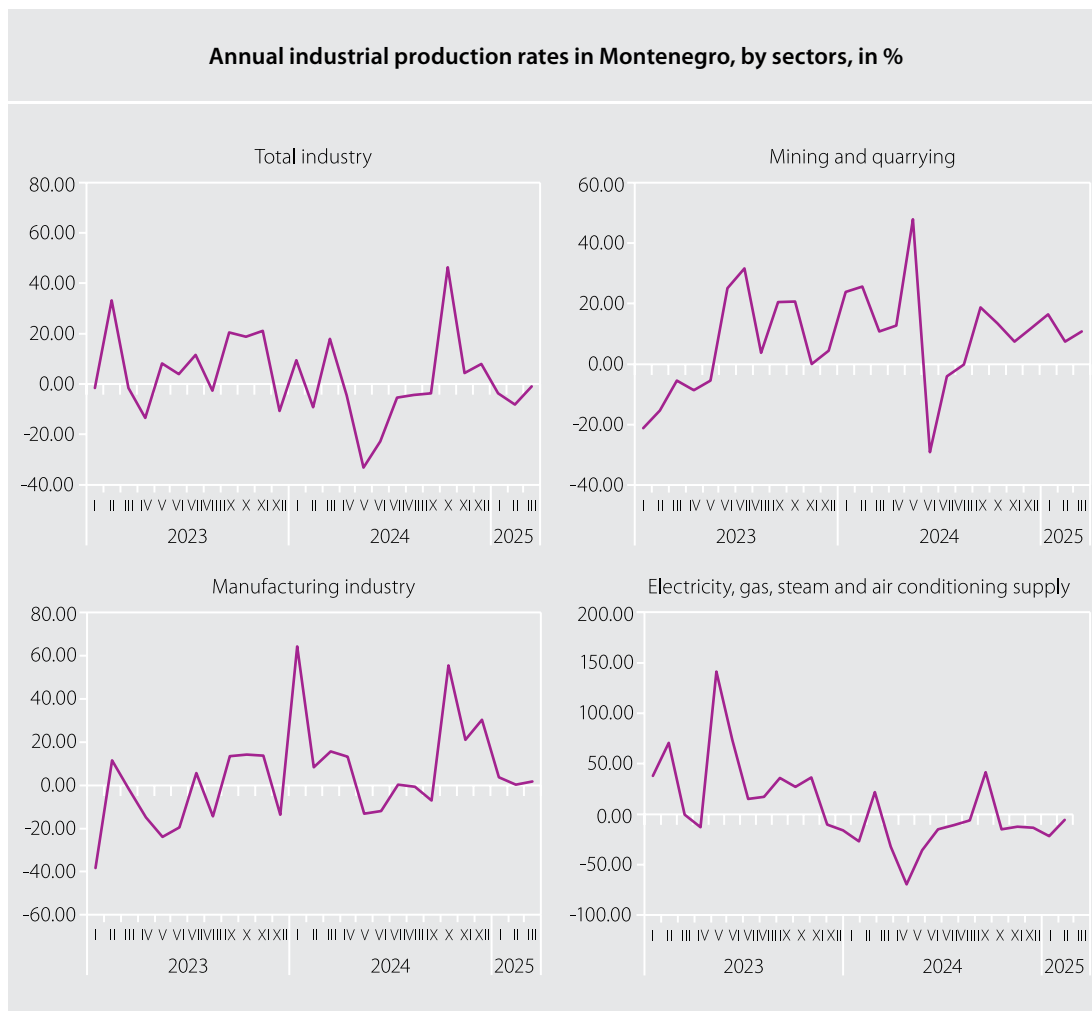
Source: MONSTAT

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*<sup>5</sup> and *coal extraction* which increased by 7.2% and 3.9%, respectively.

<sup>4</sup> The Cabinet of Montenegro adopted in on 1 August 2024

<sup>5</sup> 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

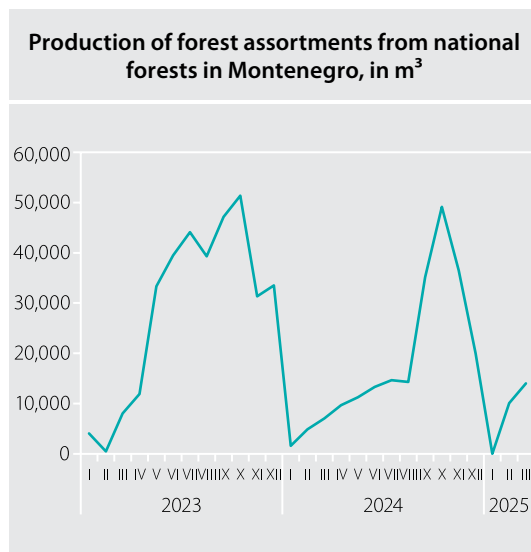
According to MONSTAT data, a total of 24,155 m<sup>3</sup> of forest assortments from the state forests<sup>6</sup> were produced in the first quarter of 2023, which is 103.0%<sup>7</sup> more than in the comparative period of the previous year (graph 1.4). In the structure of produced assortments, coniferous species accounted for 88.71%, the largest share of which was related to log production (78.79%). The production of broad-leaved 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-

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

<sup>7</sup> 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 m<sup>2</sup> (compared to 99 permits issued in Q1 2024, planning for 398 flats with a total area of 28,765 m<sup>2</sup>). *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 Balkans<sup>8</sup>.

At the end of February, laws regulating activities in this field were adopted, these including the Law on Spatial Planning<sup>9</sup> and the Law on Construction of Buildings<sup>10</sup>. One of the most important documents

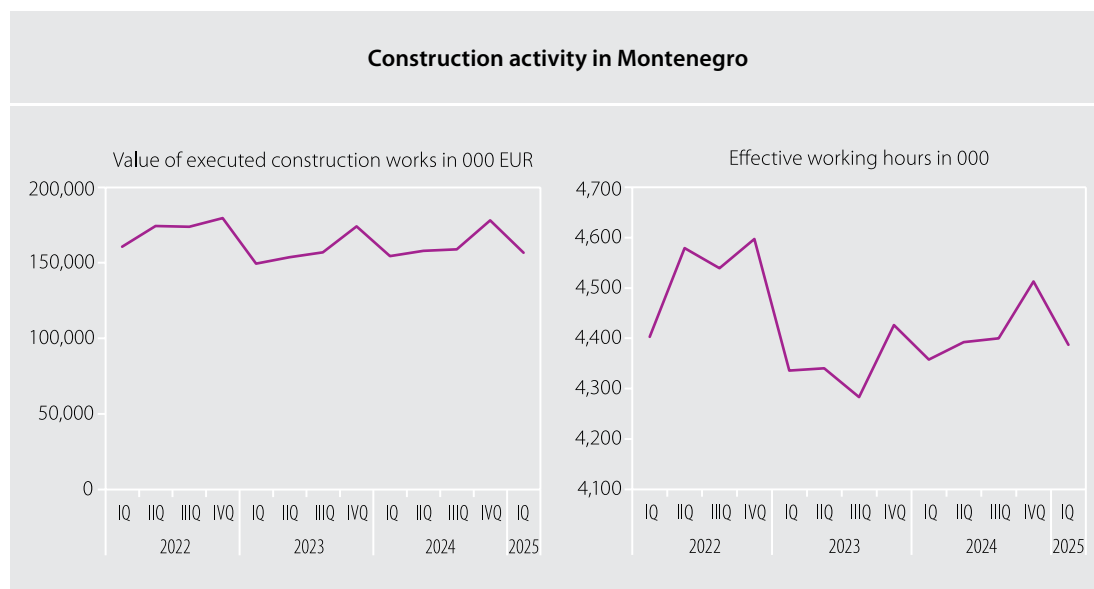
<sup>8</sup> EU Growth Plan for the Western Balkans is the 6 billion euros worth financial package aimed to double the size of the economic growth in these countries within the next decade. The Plan covers the 2024-2027 period. The Plan envisages 2 billion euros provided in grants, i.e., non-returnable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

<sup>9</sup> OGM, 019/2025 of 04 March 2025

<sup>10</sup> 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%<sup>11</sup> less passengers were transported in the reporting period compared year-over-year (graph 1.6), while the freight transport also decreased by 2.25%<sup>12</sup>.

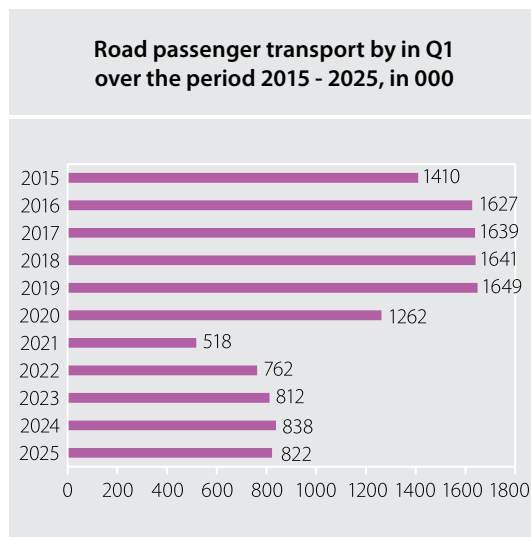
In March, the Government of Montenegro adopted the Programme for the Construction, Reconstruction, Maintenance and Protection of Main and Regional Roads in Montenegro for 2025<sup>13</sup>, which foresees an investment of 72.78 million euros in the state road infrastructure. The Programme plans the construction 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.

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

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

<sup>13</sup> Source: 74<sup>th</sup> 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.

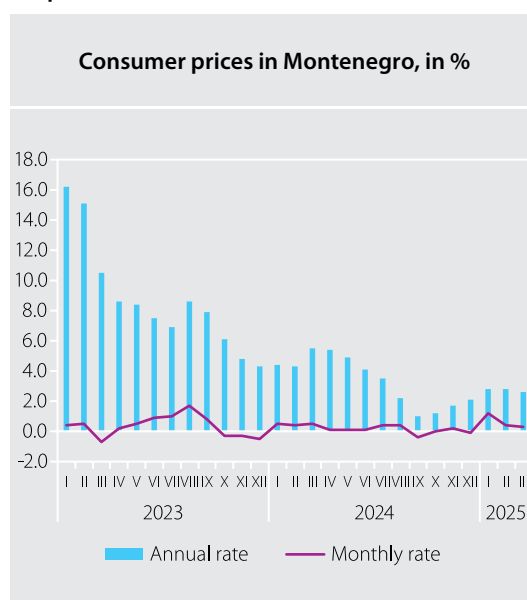
According to data from the UN Food and Agriculture Organization (FAO), index of food prices at the international level increased year-on-year by 6.9% this March<sup>14</sup>. At the same time, concerns about the slowdown in global economic growth and energy demand, driven by changes in US trade policy, 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's<sup>15</sup> July 2025 forecast shows that global average inflation will amount to 4.2% this year (dropping from 5.9% in 2024), while the ECB's<sup>16</sup> 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

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

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

<sup>16</sup> 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 <sup>17</sup> 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 Medicines<sup>18</sup>, 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

<sup>17</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>18</sup> OGM 35/2025 of 2 April 2025

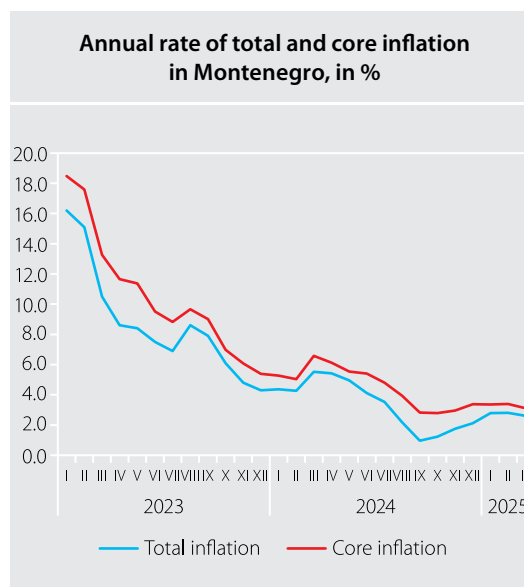
recorded in the categories: recreation and culture (3.2%), furnishing, household equipment and routine household maintenance (1.2%), transport (1.1%), miscellaneous goods and services (1.0%), and restaurants and hotels (0.6%). Prices under clothing and footwear and restaurants and hotels categories decreased 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*<sup>19</sup> 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.)<sup>20</sup> 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



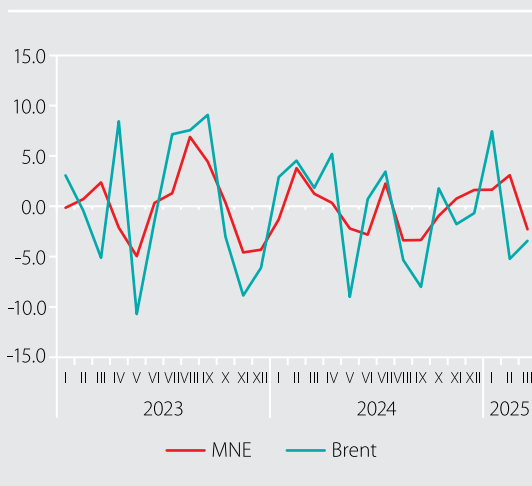
Source: MONSTAT and CBCG calculations

<sup>19</sup> Source: 66<sup>th</sup> Montenegrin Cabinet session held on 30 January 2025

<sup>20</sup> Core inflation is used as an indicator of the trend of the long-term rate or future rate of inflation, i.e. it enables the distinction between temporary price shocks and long-term inflation. Total annual inflation is an indicator of the average price change of all products and services used by households for consumption purposes. Read more on the methodology at: <https://www.cbcg.me/slike-i-fajlovi/eng/fajlovi/fajlovi/publikacije/radne-studije/obracun-bazicne-stope-inflacije-english.pdf>

### 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 2025<sup>21</sup>, 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)<sup>22</sup> 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 report<sup>23</sup>, 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.

<sup>21</sup> World Bank - *Global Economic Prospects*, June 2025

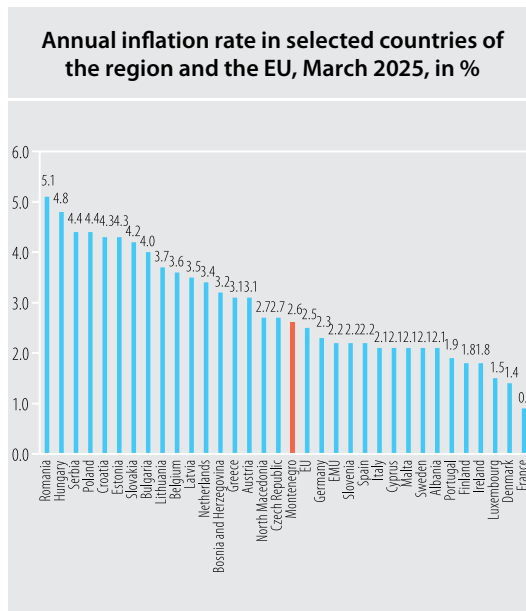
<sup>22</sup> The Harmonized Index of Consumer Prices (HICP) is the basis for comparative measurements of inflation in Europe, as well as for assessing the stability of the monetary value in the euro area. Each EU member state is obliged to produce the HICP index. The main difference between the HICP 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>23</sup> 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)

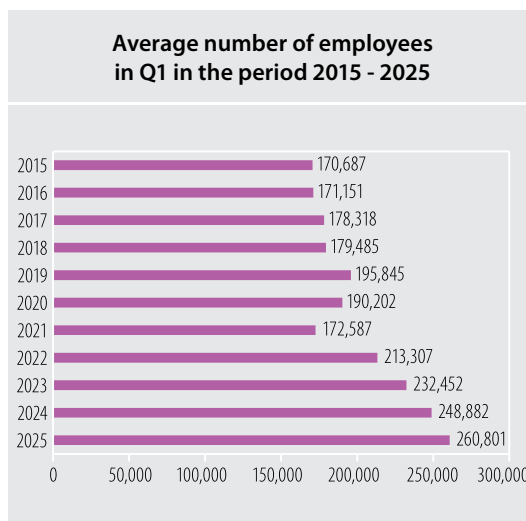
### 1.4. Labour Market

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

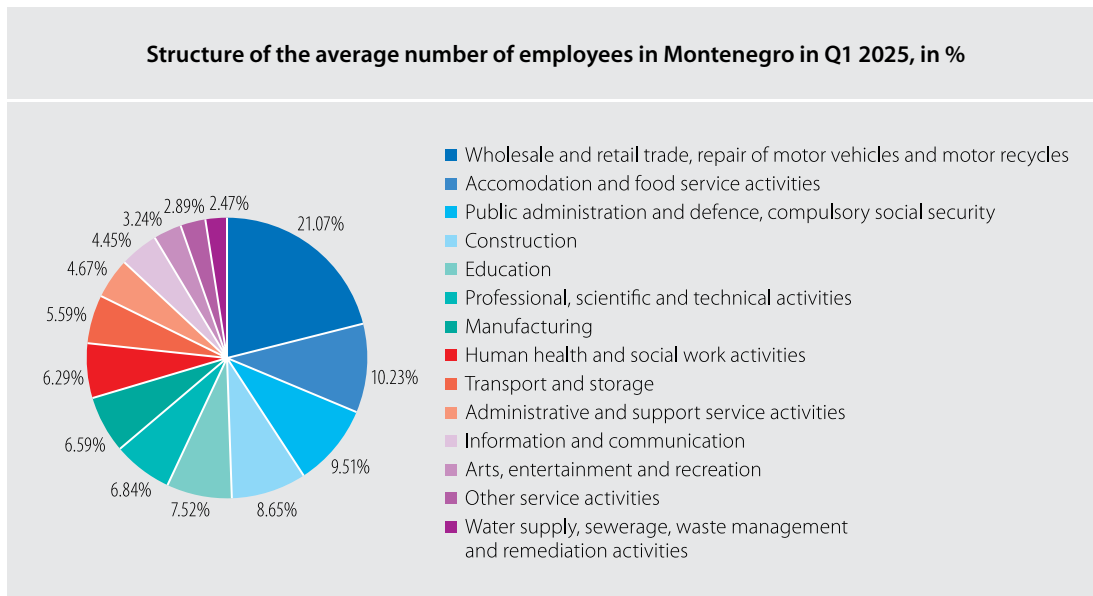
The average number of employees in the observed period was 260,801, which represents a growth of 4.79% on an annual basis. The employment growth was seen in most industries, with the highest being in real estate activities and construction (11.81% and 11.38%, respectively). The lowest increase was seen 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

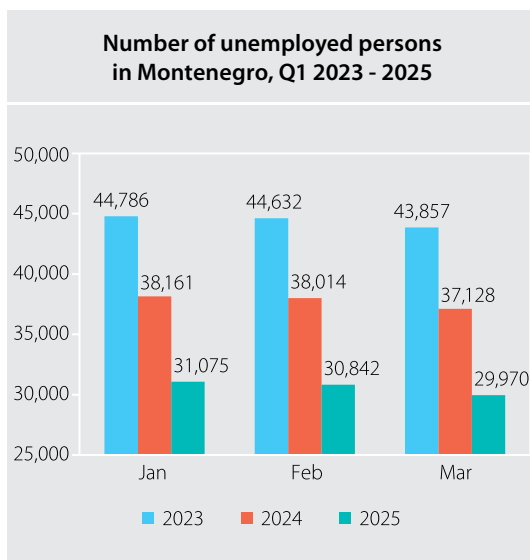
Graph 1.12



Source: MONSTAT

The structure of employees in the reporting period (graph 1.12) 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 skills<sup>24</sup> 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

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

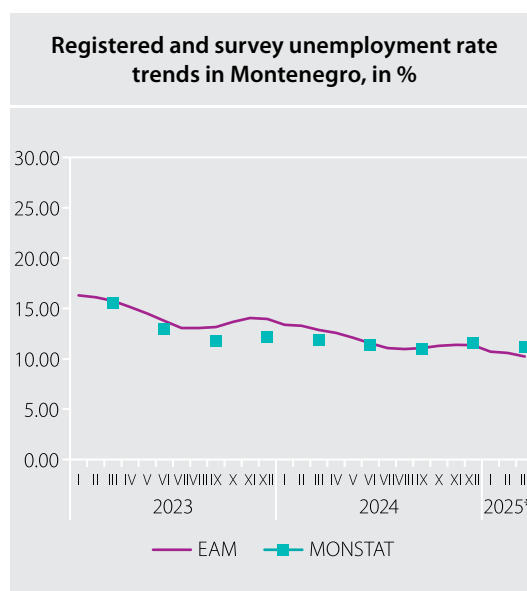
targeting youth, individuals with insufficient or inadequate education, women, members of the Roma and Egyptian community, recipients of social assistance, persons registered as unemployed for more than 12 months, and other unemployed individuals in disadvantaged positions in the labour market<sup>25</sup>.

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 Montenegro<sup>26</sup>. 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%<sup>27</sup> 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 footnote<sup>28</sup>.

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 periods<sup>29</sup>.

<sup>25</sup> 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>

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

<sup>27</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>28</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>29</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: 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 history<sup>30</sup>.

## 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-*

<sup>30</sup> <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



# MONETARY DEVELOPMENTS

02



## 2.1. Most important developments in the banking sector

During the first three months of 2025, the banking sector of Montenegro was highly liquid although daily (1.27) and ten-day liquidity ratios (1.30) were lower y-o-y and compared to the end of 2024.

Liquid assets of banks decreased by 0.95% year-on-year. At the same time, the loans to deposits ratio increased from 0.79 to 0.86.

Total assets of banks amounted to 7,136.19 million euros and increased by 515.03 million euros or by 7.78% on the annual level, mostly due to the growth of total loans in the amount of 599.51 million euros or 14.07%. At the annual level, there was a decrease in cash assets and deposit accounts with central banks in the amount of 144.44 million euros or 15.62%, as well as an increase in investments in securities in the amount of 42.96 million euros or 3.18%. At the same time, in the structure of the banks' liabilities, the dominant share of 78.90%, as well as the largest growth of 297.45 million euros or 5.58%, was held by deposits (which amounted to 5,630.74 million euros).

Observed by sector, loans granted to residents increased the most on an annual basis, in the amount of 511.00 million euros or 14.75% (85.24% of the total growth of loans in the observed period). Observed by purpose, most banking loans disbursed were cash loans (22.06%) and liquidity loans (19.15%). Banks granted new loans in the total amount of 502.29 million euros in the reporting quarter, which is 135.03 million euros or 36.77% more year-on-year. The main share of these loans, 151.89 million euros or 30.24%, were cash loans, and liquidity loans that accounted for 146.13 million euros or 29.09%.

Non-performing assets of banks amounted to 216.66 million euros and they declined by 67.05 million euros or 23.63% on the annual level, as well as their share in total assets of banks by 1.25 pp (3.04%). At the same time, non-performing loans, which make up the largest portion of non-performing assets, decreased by 56.61 million euros (or 26.94%) and amounted to 153.50 million euros, and their share in total loans decreased by 1.77 pp to 3.16%.

The allocated reserve requirement increased in line with the growth of the base for its calculation (deposits in banks) by 22.60 million euros or 7.90% on the annual basis and it reached 308.65 million euros.

At end-March 2025, the weighted average effective interest rate on total loans amounted to 6.41% being 0.22 pp lower year-over-year and 0.09 lower compared to end-2024. As a result of the initiative to reduce interest rates on retail loans, which was accepted by all banks on a voluntary basis, the average weighted active nominal interest rate (WANIR) on new retail loans amounted to 6.39% in March 2025. It recorded a decline of 1.50 pp year-on-year, i.e. a drop of 0.02 pp relative to the previous quarter. Weighted average deposit effective interest rate on total deposits was 0.27% at the end of March 2025 and was unchanged on an annual basis, while compared to the end of the previous year, it recorded an increase of 0.02 pp.

The total capital of banks amounted to 926.09 million euros and increased in all eleven banks, and at the system level it recorded an annual growth of 106.35 million euros or 12.97%. The solvency ratio at the banking system level stood at 20.14% (a 0.26 pp annual growth) and it was above the statutory minimum of 8%.

At the end of the reporting quarter, banks recorded a positive financial result in the total amount of 34.17 million euros, which represents the annual decrease of 4.50 million euros or 11.63%. All eleven banks reported profit.

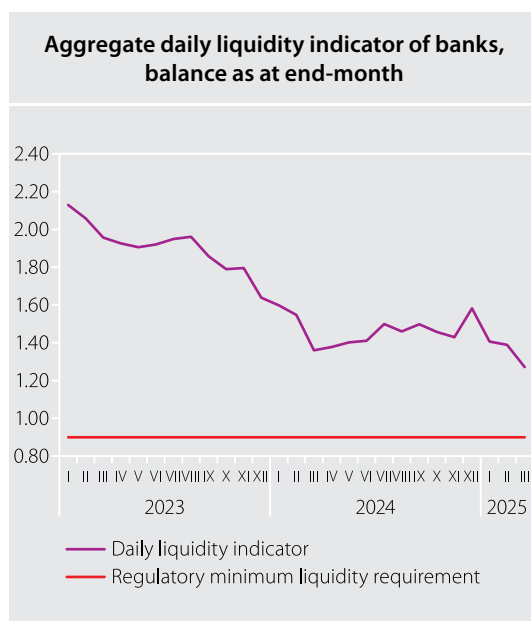
### 2.1.1. Banks' liquidity

During the first quarter of 2025, the banking sector of Montenegro was highly liquid, as shown by the key liquidity indicators which were significantly above the prescribed minimum<sup>31</sup> at the aggregate level (graphs 2.1 and 2.2).

Observed by banks, all eleven banks regularly settled their current liabilities and maintained their daily and ten-day liquidity ratios above the statutory minimums.

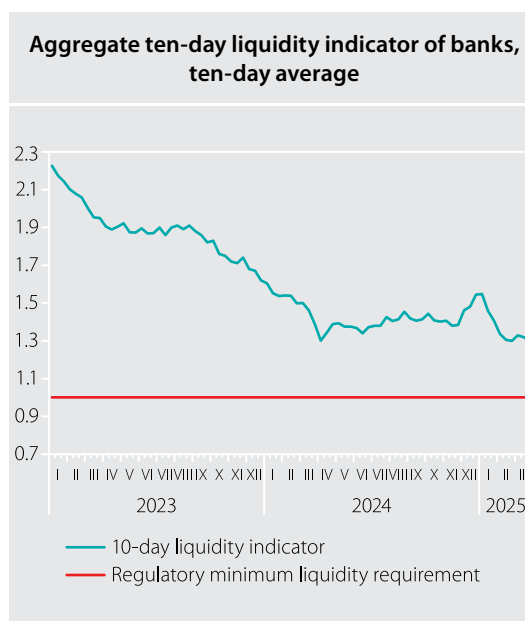
At the end of the observed period, the daily liquidity ratio amounted to 1.27 and it was lower year-on-year (1.36), as well as compared to the end-2024 when it stood at 1.58.

Graph 2.1



Source: Banks' daily reports

Graph 2.2



Source: Banks' ten-day reports

<sup>31</sup> The Decision on liquidity risk management in credit institutions (OGM 127/20 and 140/21) is in force, which stipulates the obligation of banks to maintain minimum liquidity ratios on a daily (0.9) and ten-day basis (1.0), as well as a minimum level of the liquidity coverage ratio of the banking system (100%): ([https://www.cbcg.me/slike\\_i\\_fajlovi/eng/fajlovi/fajlovi\\_brzi\\_linkovi/propisi/supervision/dec\\_on\\_liquidity\\_risk\\_management\\_in\\_ci\\_140-21.pdf](https://www.cbcg.me/slike_i_fajlovi/eng/fajlovi/fajlovi_brzi_linkovi/propisi/supervision/dec_on_liquidity_risk_management_in_ci_140-21.pdf)).

At end-March 2025, ten-day liquidity ratio amounted to 1.30 and it was lower year-on-year (1.39) and compared to the end-2024 when it stood at 1.54.

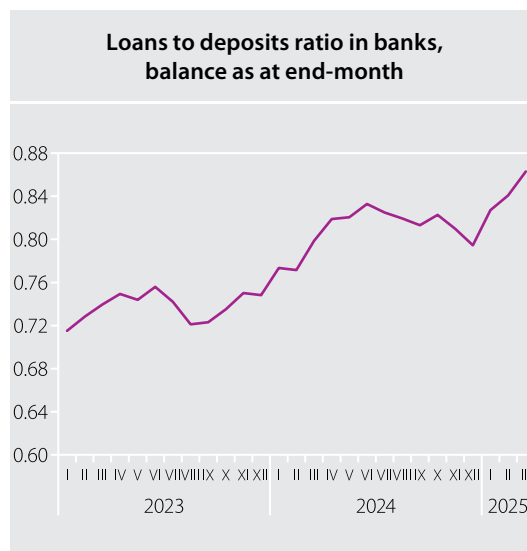
In the first three months of the current year, the average daily liquidity indicator amounted to 1.36, while it amounted to 1.51 the same period last year.

All banks regularly settled their current liabilities and maintained their daily and ten-day liquidity ratios above the statutory minimums during the reporting period.

At the end of the reporting period, banks' liquid assets amounted to 1,276.56 million euros, which represents an annual decrease of 12.18 million euros or by 0.95%, while compared to the end of the previous year it was lower by 394.84 million euros or by 23.62%. The share of liquid assets in total assets was 17.89% at end-March 2025, 19.46% year-on-year, and 23.05% at end-December 2024.

The loans to deposits ratio stood at 0.86 at end-March 2025, being by 0.06 pp higher than a year ago when it amounted to 0.80, and 0.07 pp higher compared to end-2024 (graph 2.3).

**Graph 2.3**



Source: Banks' monthly reports

## 2.1.2. Aggregate balance sheet of banks

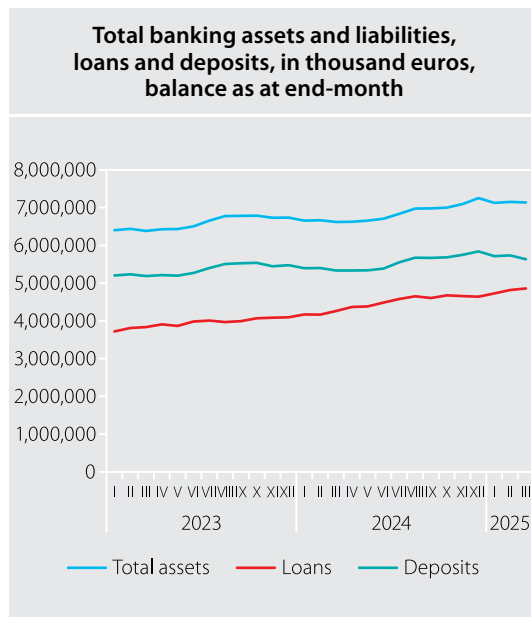
At end-March 2025, total assets of banks amounted to 7,136.19 million euros, recording the increase of 515.03 million euros or 7.78% compared y-o-y, and the decrease of 114.30 million euros or 1.58% compared to end-2024.

At the annual level, the growth of total assets is mostly the result of the growth of total loans, which increased by 599.51 million euros or 14.07%, as well as the increase in receivables based on securities in the amount of 42.96 million euros or 3.18%, while cash and deposit accounts with central banks recorded a decrease in the amount of 144.44 million euros or 15.62%.

Observed in relation to the end of the previous year, the growth of total assets is mostly the result of an increase in total loans in the amount of 219.41 million euros or 4.73%, as well as investments in securities in the amount of 74.16 million euros or 5.63%. However, cash and deposit accounts with central banks recorded a decrease in the amount of 427.84 million euros or 35.41%.

As for the structure of liabilities, the largest year-on-year growth was recorded by deposits, 297.45 million euros or 5.58%, followed by total capital in the amount of 106.35 million euros or 12.97%. Also, growth was recorded in borrowings in the amount of 90.20 million euros or 37.72%, "other liabilities" in the amount of 20.49 million euros or 9.01%, as well as financial derivatives in the amount of 548,000 euros or 34.21%.

Graph 2.4



Source: Bank reports and CBCG calculations

Observed by the structure of liabilities, the largest growth compared to the end of the previous year was recorded with borrowings in the amount of 59.38 million euros or 21.99%, followed by total capital with an increase of 35.18 million euros or 3.95%. On the other hand, deposits recorded a decline of 208.10 million euros or 3.56%, “other liabilities” which dropped by 453,000 euros or 0.18%, as well as financial derivatives that declined by 307,000 euros or 12.49%.

In the structure of banks’ assets, total loans had a prevailing share of 68.09% in the observed period (by 3.76 percentage points more compared to the comparative period of the previous year, while compared to the end of the previous year they were higher by 4.10 pp). On the liabilities side, the dominant share of 78.90% is recorded by deposits with banks (by 1.65 pp less compared to the comparative period of the previous year, i.e. a drop of 1.63 pp compared to the end of the previous year) (graph 2.4).

### Box 2.1 – Concentration index of the banking sector in Montenegro

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

Table 1

Herfindahl–Hirschman index of banking system concentration, balance as at end-quarter									
	2023				2024			2025	
	III	VI	IX	XII	III	VI	IX	XII	III
To assets	1,332.56	1,343.25	1,364.47	1,394.54	1,386.50	1,407.93	1,417.88	1,437.94	1,451.09
To loans	1,754.27	1,742.43	1,793.87	1,749.70	1,733.32	1,720.60	1,717.61	1,690.97	1,733.24
To deposits	1,301.77	1,310.43	1,341.10	1,364.09	1,342.39	1,365.74	1,406.83	1,412.03	1,396.64

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

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

At end-March 2025, the HHI for assets, loans and deposits was in the range of 1,000.00 - 1,800.00, which indicates a moderate concentration<sup>32</sup> of the banking sector (table 1). At the same time, the highest

<sup>32</sup> The HHI value below 1,000.00 indicates a non-concentrated market, the HHI value in the range of 1,000.00–1,800.00 indicates a moderately concentrated market, while the HHI value above 1,800.00 indicates a non-competitive market (highly concentrated, very highly concentrated and monopolistic).

degree of concentration was recorded in the case of credit concentration, followed by concentration according to assets, while the concentration according to deposits is the lowest.

Observed according to assets, the HHI amounted to 1,451.09 index units at the end of March 2025, which recorded an annual growth of 64.58 index points, and an increase of 13.14 index points compared to the end of the previous year.

Observed according to loans, the HHI was 1,733.24 index units at the end of March 2025, which represents an annual decrease of 0.08 index points, yet an increase of 42.27 index points compared to the end of the previous year.

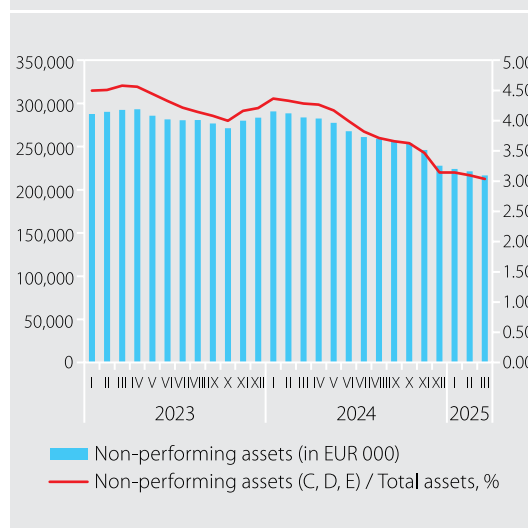
Observed according to deposits, the HHI amounted to 1,396.64 index units at the end of March 2025, which recorded an annual growth of 54.26 index points, and a decrease of 15.39 index points compared to the end of the previous year.

At end-March 2025, NPLs of banks amounted to 216.66 million euros, which a decrease of 67.05 million euros or 23.63% year-on-year and a decline of 11.19 million euros or 4.91% compared to end-2024. The share of non-performing assets in banks' total assets amounted to 3.04%, which is the year-on-year decline of 1.25 pp and a decrease of 0.11 pp in relation to end-2024 (graph 2.5).

At the end of March this year, banks recorded a positive financial result in the total amount of 34.17 million euros, which represents the annual decrease of 4.50 million euros or 11.63%. All eleven banks reported profit.

**Graph 2.5**

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



Source: Bank reports and CBCG calculations

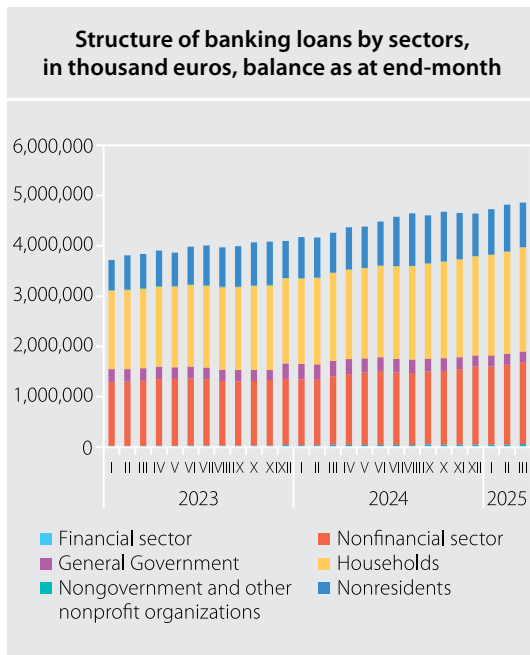
### 2.1.3. Banks' lending activity

Total banking loans were on an uptrend during the reporting quarter, increasing at an average monthly rate of 1.55%, which represents a growth compared to the previous year when they grew at an average monthly rate of 1.33%. At the end of the observed period, banking loans amounted to 4,859.13 million euros, which is 599.51 million euros or 14.07% more year-on-year and 219.41 million euros or 4.73% more in relation to end-2022. In relation to the same period of the previous year, growth was recorded in ten banks, while a decrease was recorded in one bank. In relation to the end of the previous year, eight banks recorded credit growth whereas three banks saw the decline.

The sectoral structure of banking loans indicates that the largest portion of loans in the amount of 3,975.61 million euros or 81.82% was granted to residents. Of total disbursed loans, 42.60% were grant-

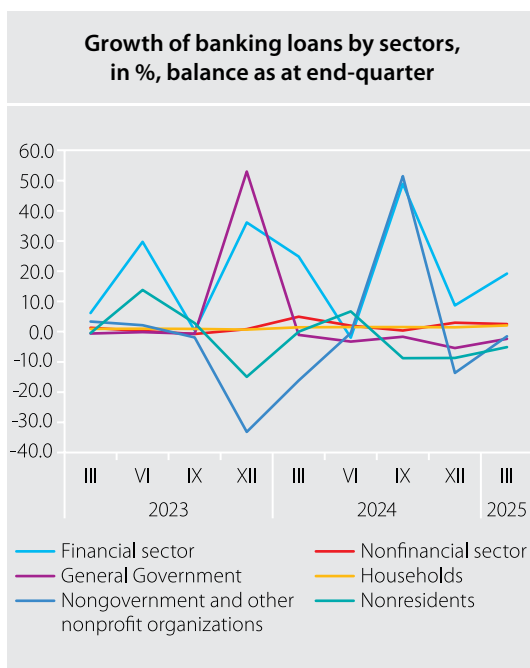
ed to the retail sector, 33.41% to the non-financial sector, 4.43% to the General government, 1.28% to the financial sector, while 0.09% related to non-government and other non-profit institutions. At the end of the reporting period, loans granted to non-residents accounted for 883.52 million euros 18.18% of total loans granted, of which 14.48% related to the financial sector, 2.52% to the nonfinancial sector, and 1.19% to natural persons (graph 2.6).

Graph 2.6



Source: Bank reports and CBCG calculations

Graph 2.7



Source: Bank reports and CBCG calculations

Observed by sectors, the largest year-on-year growth was recorded with loans granted to residents, in the amount of 511.00 million euros or 14.75% while loans granted to non-residents recorded a growth of 88.51 million euros or 11.13%. When it comes to residents, the retail sector recorded the highest loan growth of 325.59 million euros (18.66%) followed by non-financial sector loans with 259.91 million euros (19.06%). Growth was also recorded in loans granted to the financial sector in the amount of 13.63 million euros or 28.01%, while General government loans declined by 87.76 million euros or 28.96%, as well as to non-government and other non-profit organizations in the amount of 357,000 euros or 7.38%.

Observed by sectors and in relation to the end of the previous year, the highest growth was recorded in loans granted to residents in the amount of 176.02 million euros or 4.63%, whereas loans granted to non-residents recorded an increase of 43.39 million euros or 5.16%. When it comes to residents, the retail sector recorded the highest loan growth of 100.34 million euros (5.09%) followed by non-financial sector loans with 77.06 million euros (4.98%). Banking loans granted to the financial sector also rose by 7.98 million euros or 14.70%. On the other hand, a decrease in approved loans in the amount of 9.06 million euros or 4.04% was recorded with the General government sector, as well as with NGOs and other non-profit institutions in the amount of 299,000 euros or 6.26%.

If we look at the monthly growth rates of total loans by sector, it can be seen that the smallest oscillations in the movement of total approved loans have the General government sector, the non-governmental and other non-profit organizations sector, the non-financial sector, the population and non-residents, while the oscillations during the first quarter of 2025 are present in the financial sector (graph 2.7).

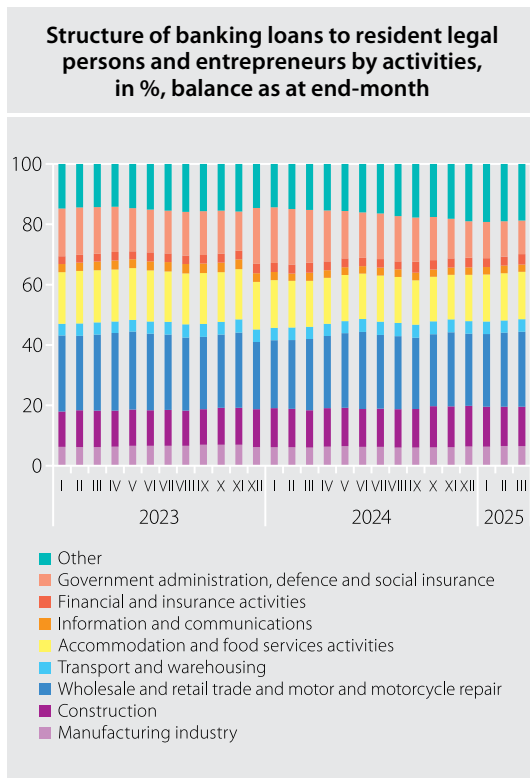
At the end of March 2025, the debt based on loans of resident legal persons and entrepreneurs amounted to 1,910.46 million euros, which represents an increase of 186.69 million euros or 10.83% on the annual level. In relation to the end of the previous year, debt growth arising from loans to resident legal persons and entrepreneurs amounted to 75.74 million euros or 4.13%. The nominal growth of the loan debt is mostly the result of the growth of loans granted to the following activities: wholesale trade and retail trade and repair of motor vehicles and motorcycles, electricity supply, accommodation and food service activities, construction, manufacturing industry, artistic, entertainment and recreational activities, and real estate activities. On the other hand, the decrease in loans at the annual level was recorded in the following activities: state administration and defence, compulsory social security, agriculture, forestry and fishing, mining and quarrying, water supply. Growth compared to the end of the previous year is largely the result of growth in loans granted to the following activities: wholesale and retail trade and repair of motor vehicles and motorcycles, accommodation and food service activities, financial and insurance activities, manufacturing industry. On the other hand, a decrease in loans at the annual level was recorded in the following activities: state administration and defence, compulsory social security, water supply, and administrative and ancillary service activities (table 2.1).

Table 2.1

Banking loans to resident legal persons and entrepreneurs by activities, in thousand euros and %, balance as at end-month							
Industry	31/03/2024	31/12/2024	31/03/2025	March 2025 March 2024		March 2025 December 2024	
	in 000 euros	in 000 euros	in 000 euros	in 000 euros	in %	in 000 euros	in %
1. Agriculture, forestry and fishery	20,120	15,527	16,584	-3,536	-17.57	1,057	6.81
2. Mining and quarrying	16,388	12,557	13,050	-3,338	-20.37	493	3.93
3. Manufacturing industry	103,310	116,642	123,812	20,502	19.85	7,170	6.15
4. Electricity supply	26,705	83,550	85,803	59,098	221.30	2,253	2.70
5. Water supply	11,552	9,075	8,503	-3,049	-26.39	-572	-6.30
6. Construction	213,480	247,178	249,360	35,880	16.81	2,182	0.88
7. Wholesale and retail trade and repair of motor vehicles and motorcycles	406,945	438,835	474,764	67,819	16.67	35,929	8.19
8. Transport and warehousing	70,186	75,890	79,303	9,117	12.99	3,413	4.50
9. Accommodation and food service activities	262,575	281,700	300,887	38,312	14.59	19,187	6.81
10. Information and communications	45,767	45,311	45,133	-634	-1.39	-178	-0.39
11. Financial and insurance activities	57,976	59,141	66,329	8,353	14.41	7,188	12.15
12. Real estate activities	59,563	75,035	75,209	15,646	26.27	174	0.23
13. Professional, scientific and technical activities	43,264	44,411	44,624	1,360	3.14	213	0.48
14. Administrative and ancillary service activities	27,109	33,374	32,898	5,789	21.35	-476	-1.43
15. Public administration and defence, compulsory social security	300,919	222,291	212,988	-87,931	-29.22	-9,303	-4.19
16. Education	1,071	1,273	1,172	101	9.43	-101	-7.93
17. Human health and social work activities	15,314	14,363	17,871	2,557	16.70	3,508	24.42
18. Artistic, entertainment and recreational activities	25,556	40,521	44,278	18,722	73.26	3,757	9.27
19. Other service activities	15,968	18,047	17,890	1,922	12.04	-157	0.87
20. Total	1,723,768	1,834,721	1,910,458	186,690	10.83	75,737	4.13

Source: Banks' reports and CBCG calculations

Graph 2.8

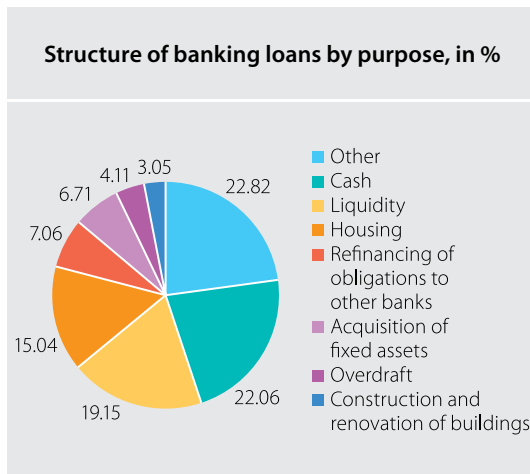


Source: Bank reports and CBCG calculations

In the structure of loans of legal persons by activity at end-March 2025, the main share of 24.85% was of loans to wholesale and retail trade and repair of motor vehicles and motorcycles, followed by loans for accommodation and food service activities with 15.75%, and construction activity loans with a share of 13.05%, loans granted to public administration and defence and compulsory social security with a share of 11.15%, while all other activities accounted for 35.20% of loans (graph 2.8).

Observed by purpose, the main share of banking loans referred to cash loans (22.06%), liquidity loans (19.15%), housing loans (15.04%), loans for refinancing liabilities to other banks (7.06%), overdraft loans (4.11%), and loans for construction and renovation of buildings (3.05%). The remaining part of 22.82% of banks' loans related to the purchase of cars, credit card loans, consumer loans, preparation for the tourist season, for the purchase of securities and other purposes (graph 2.9).

Graph 2.9



Source: Bank reports and CBCG calculations

Compared to the same three-month period in 2024, cash loans rose by 193.44 million euros or 22.02%, followed by housing loans which increased by 117.14 million euros or 19.09% (table 2.2). On the other hand, a decline was recorded in loans for the purchase of securities, consumer loans, as well as loans for the preparation of the tourist season.

Compared to the same three-month period in 2024, liquidity loans rose by 130.00 million euros or 16.24%, followed by cash loans which increased by 58.79 million euros or 5.80% (table 2.2). On the other hand, decline was recorded with consumer loans and credit card loans.

Table 2.2

Banking loans by purpose, in thousand euros, balance as at 31 March 2024, 31 December 2024, and 31 March 2025							
Loan purpose	31/03/2024	31/12/2024	31/03/2025	March 2025 March 2024		March 2025 Dec 2024	
	in 000 euros	in 000 euros	in 000 euros	in 000 euros	in %	in 000 euros	in %
1. Liquidity (working assets)	851,231	800,606	930,603	79,372	9.32	129,997	16.24
2. Construction and renovation of buildings	141,223	144,018	148,268	7,045	4.99	4,250	2.95
3. Refinancing of liabilities to other banks	315,552	338,187	342,940	27,388	8.68	4,753	1.41
4. Car purchase	19,340	27,884	28,361	9,021	46.64	477	1.71
5. Purchase of securities	3,955	1,363	1,362	-2,593	-65.56	-1	-0.07
6. Purchase of fixed assets	297,562	319,183	325,823	28,261	9.50	6,640	2.08
7. Preparation of tourist season	14,642	13,490	13,865	-777	-5.31	375	2.78
8. Consumer loans	22,183	21,048	20,318	-1,865	-8.41	-730	-3.47
9. Cash (general purpose)	878,345	1,012,988	1,071,781	193,436	22.02	58,793	5.80
10. Housing loans	613,512	703,347	730,655	117,143	19.09	27,308	3.88
11. Credit cards	21,121	22,784	22,530	1,409	6.67	-254	-1.11
12. Overdraft	167,151	168,282	199,511	32,360	19.36	31,229	18.56
13. Other	913,797	1,066,537	1,023,108	109,311	11.96	-43,429	-4.07
14. Total	4,259,614	4,639,717	4,859,125	599,511	14.07	219,408	4.73

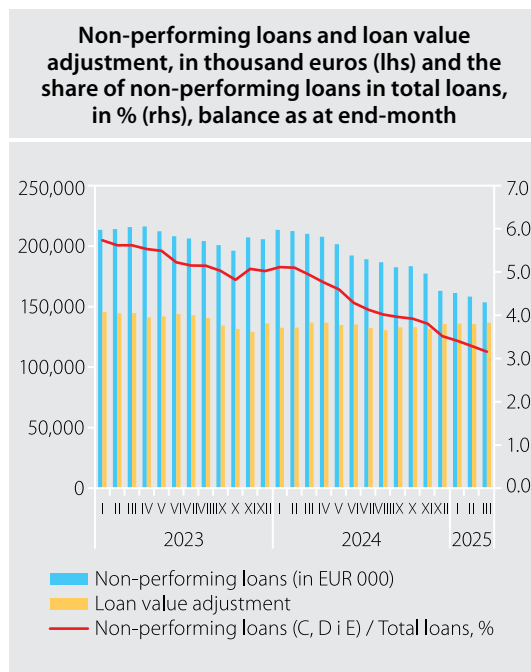
Source: Banks' reports and CBCG calculations

Banking loans are mostly approved in euros and against the maturity period of over one year. Of total loans granted, those in euros accounted for 96.87%, and in terms of maturity, long-term loans (with agreed maturity over one year) prevailed and made up 79.06%. Loans with the repayment period of over three years amounted to 3,422.37 million euros and they accounted for 89.09% and 70.43% of total loans.

At end-March this year, banks' non-performing loans (NPLs) amounted to 153.50 million euros and they were 56.61 million euros or 26.94% lower year-over-year and 9.55 million euros or 5.86% in relation to end-2024. At the end of the reporting period, NPLs accounted for 3.16% of total banking loans, and their share in total loans decreased by 1.77 pp annually and by 0.36 pp in relation to end-2024.

Observed in relation to the comparative period, in the structure of resident legal entities by activity, the growth of non-performing loans was recorded only in the information and communications sector, in the amount of 157,000 euros or 50.16%, while a decrease was recorded in all other activities. The most significant decline was recorded in the resident construction sector, in the amount of 14.97 million euros or 56.08%, and in the non-resident sector in the amount of 8.29 million euros or 15.33%.

Observed in relation to the end of the previous year, in the structure of resident legal entities by activity, the largest increase in non-performing loans was recorded in information and communications in the amount of 70,000 euros or 17.50%, as well as in the mining and quarrying in the amount of 48,000 euros or 11.32%, while in all other activities there was a decrease, the most significant of which was in the accommodation and food services, in the amount of 1.82 million euros or 5.99%.

**Graph 2.10**


Source: Banks' reports and CBCG calculations

At the end of March 2025, the total value adjustment amounted to 136.61 million euros and recorded a decrease of 117,000 euros or 0.09% at the annual level, while compared to the end of the previous year it recorded an increase of 1.03 million euros or 0.76%. The coverage of non-performing loans by value adjustment amounted to 89.00% and it increased year-on-year when it amounted to 65.07%, as well as compared to end-2024 when it reached 83.15% (graph 2.10).

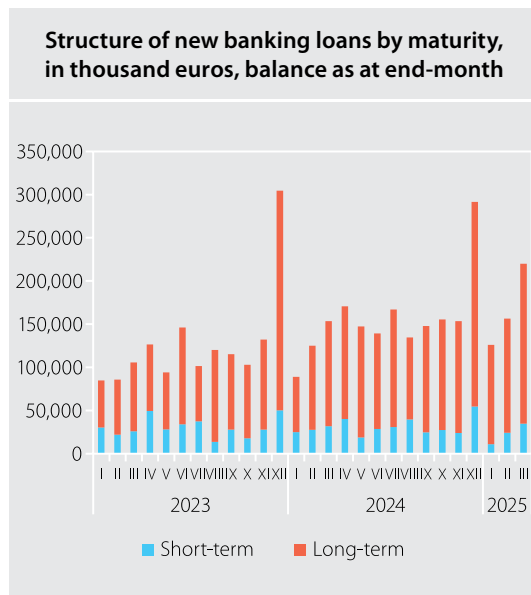
At the end of the reporting period, past due loans amounted to 116.10 million euros or 2.39% of total banking loans. These loans decreased by 3.74 million euros or 3.33% year-on-year and yet they increased 21.96 million euros or 23.32% in relation to end-2024. The share of past due loans recorded a decline of 0.25 pp year-on-year and an increase of 0.36 pp in relation to the end of the previous year.

### New loans

During the first three months of 2025, banks approved a total of 502.29 million euros of new loans, which is an increase of 135.03 million euros or 36.77% year-over-year.

New loans' maturity structure reveals that the main share of 432.50 million euros or 86.10% of new loans were granted against the maturity period of over one year, which is 9.09 pp more than a year ago (graph 2.11).

The purpose structure of new loans shows that the main share of these loans in the amount of 151.89 million euros or 30.24% was of cash loans, followed by loans for liquidity with 146.13 million euros or 29.09%, then loans for realisation of investment programmes with 52.27 million euros or 10.41%, and loans for the purchase and adaptation of apartments with 49.07 million euros or 9.77%. Some 40.47 million euros or 8.06% of new loans were approved for the refinancing

**Graph 2.11**


Source: Banks' reports and CBCG calculations

of liabilities to other banks, while 15.07 million euros or 3.00% of new loans were approved for the construction and adaptation of buildings. Some 14.78 million euros or 2.94% of new loans were approved for the purchase of fixed assets. A sum of 12.99 million euros or 2.59% related to non-purpose mortgage loans, while the remaining 3.90% or 19.62 million euros related to the remaining purposes:

purchase of consumer goods, purchase of cars, purchase of land, preparation for the tourist season, education and other purposes.

### 2.1.4. Bank investments in securities

Thus, the amount of banks' receivables from securities amounted to 1,392.30 million euros as at end-March this year, being 42.96 million euros or 3.18% higher year-over-year and 74.16 million euros or 5.63% higher compared to the previous year-end (graph 2.12). During the first quarter of 2025, bank investments in securities grew at an average monthly rate of 1.88%, while compared to the same period of the previous year, they grew at an average monthly rate of 0.96%.

At end-March 2025, the largest part of 52.11% of total securities related to banks' investments in securities issued by non-residents (equity and debt securities of the private sector), while 47.59% related to investments in various state securities. The remaining 0.30% related to investments in securities issued by other resident sectors.

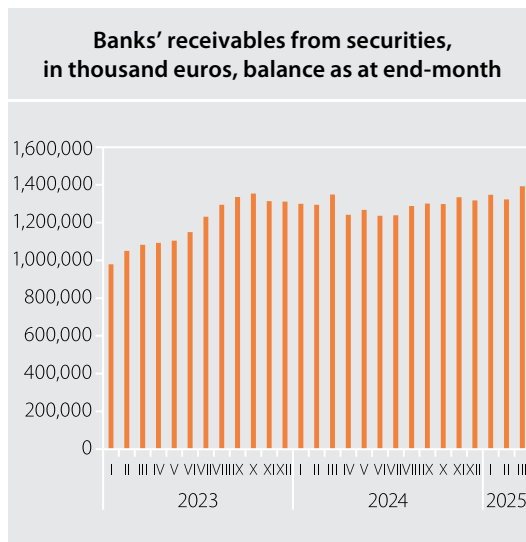
The total amount of banks' receivables on the basis of non-residents' securities was 725.48 million euros and is higher by 61.34 million euros or 9.24% compared to the same period of the previous year, while compared to the end of the previous year it is higher by 17.41 million euros or 2.46%.

At end-March this year, the total amount of banks' receivables based on the General government's securities amounted to 662.60 million euros, which represents a decrease of 18.62 million euros or 2.73% year-on-year, and 56.49 million euros or 9.32% increase in relation to end-2024.

Of the total amount of securities of the General government, 650.44 million euros or 98.17% were bank investments in Government's Eurobonds, 12.15 million euros or 1.83% to domestic government bonds, while there were no investments in government T-bills (graph 2.13).

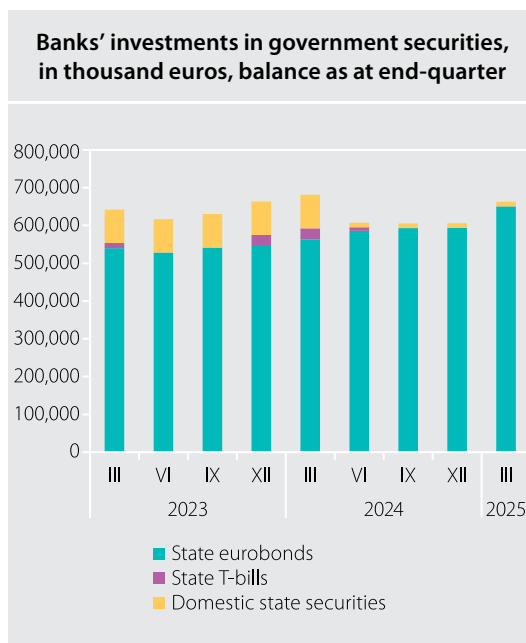
Investments in government Eurobonds increased annually by 87.61 million euros or 15.57%, while compared to December 2024 they increased by 56.61 million euros or 9.53%. Investments of banks in domestic government bonds recorded an annual decrease in the amount of 76.82 million euros or 86.34%, while compared to the end of the previous year they were lower by 121,000 euros or 0.99%.

Graph 2.12



Source: Banks' reports

Graph 2.13



Source: Banks' reports

Receivables of banks arising from securities of other sectors amounted to 4.22 million euros in the observed period, being 246,000 euros or 6.19% higher on an annual basis, while recording an increase of 252,000 euros or 6.35% compared to end-2024.

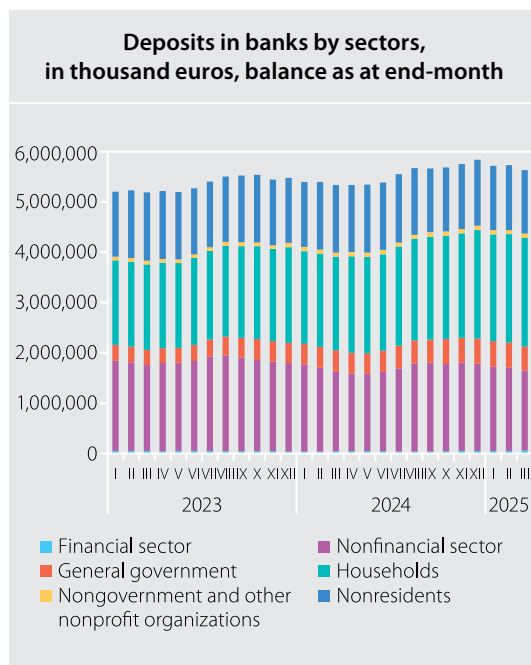
### 2.1.5. Deposits

At end-March 2025, total deposits of banks amounted to 5,630.74 million euros, recording the increase of 297.45 million euros or 5.58% compared y-o-y, and the decrease of 208.10 million euros or 3.56% compared to end-2024. Deposits of this sector declined at an average monthly rate of 1.20% during this period, while in the same period of the previous year they declined at the rate of 0.86%.

Residents' deposits accounted for the main share of total deposits with 4,373.21 million euros or 77.67%. In the structure of total deposits, 38.29% referred to the household sector, 28.17% to the non-financial sector, 8.48% to the General Government, 1.57% to NGOs and other non-profit organisations, 1.16% to the financial sector and 22.33% to non-resident deposits.

All sectors other than the non-residents recorded the year-on-year growth in deposits. Resident deposits recorded a growth in the amount of 380.70 million euros or 9.54% while non-resident deposits declined by 83.25 million euros or 6.21%. In terms of residents' deposits, the highest growth was recorded in the retail sector of 295.89 million euros or 15.91%, followed by the General government with a growth of 53.25 million euros or 12.54%. Deposits of the financial sector recorded a growth of 15.85 million euros or 32.49%, followed by the non-financial sector with a growth of 8.80 million euros or 0.56%, while deposits of non-government and other non-profit organizations recorded growth in the amount of 6.91 million euros or 8.45%.

Graph 2.14



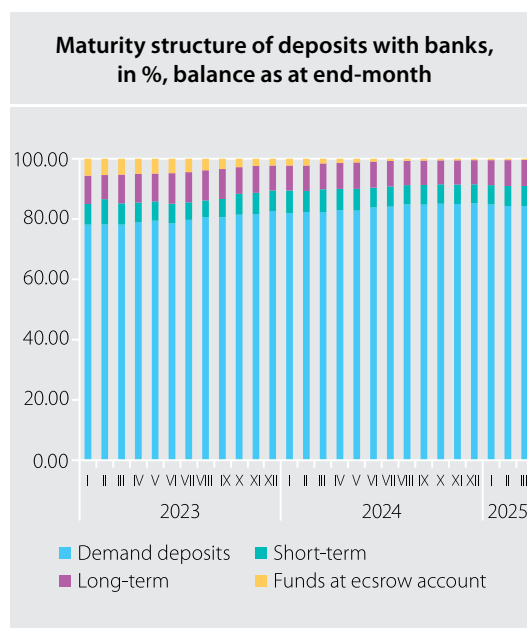
Source: Banks' reports and CBCG calculations

Compared to the end of the previous year, there was a decrease in deposits in most sectors, except for the financial sector, the sector of non-government and other non-profit organizations and the retail sector. At the same time, residents' deposits recorded a higher nominal decline (157.00 million euros or 3.47%) than non-residents' deposits (51.10 million euros or 3.90%). As for residents' deposits, the biggest decline was seen with the non-financial sector of 147.04 million euros or 8.48%, followed by the General government whose deposits dropped by 20.91 million euros or 4.19%. The largest growth of residents' deposits was recorded in the financial sector in the amount of 8.46 million euros or 15.07%, followed by deposits of non-government and other non-profit organizations with a growth of 1.45 million euros or 1.66%, while the retail sector recorded growth in the amount of 1.04 million euros or 0.05% (graph 2.14).

Of total deposits, demand deposits accounted for 4,743.74 million euros or 84.25%, time deposits made up 862.57 million euros or 15.32%, while funds in escrow accounts amounted to 24.44 million euros or 0.43%.

Observed on the annual basis, demand deposits increased by 355.30 million euros or 8.10% in the reporting quarter, while they were 235.82 million euros or 4.74% lower than at end-2024. Long-term deposits were 31.58 million euros or 6.93% higher year-over-year, while compared to the end of the previous year they increased by 20.17 million euros or 4.32%. Short-term deposit dropped by 26.89 million euros or 6.69% on the annual level and increased by 11.72 million euros or 3.22% compared to at end-2024. Funds in escrow accounts dropped by 62.54 million euros or 71.90% on the annual level and by 4.17 million euros or 14.58% compared to at end-2024.

**Graph 2.15**



Source: Banks' reports and CBCG calculations

The share of demand deposits in total deposits stood at 84.25% at end-March this year, which is an increase of 1.96 pp year-over-year and a drop of 1.04 pp in relation to the end of the previous year. The share of long-term deposits in total deposits was 8.65% and it increased by 0.11 pp year-on-year and 0.65 pp compared to end-2024. The share of short-term deposits in total deposits amounted to 6.67%, which is a 0.88 pp decline year-over-year and a 0.44 pp increase in relation to the end of the previous year. Funds in escrow accounts accounted for 0.43% of total deposits as at end-March, which represents the year-over-year decrease of 1.20 pp and a 0.06 pp decrease compared to end-2024 (graph 2.15).

## 2.1.6. Retail and non-financial sector

### 2.1.6.1. Retail sector

Total debt of the retail sector arising from loans taken from banks amounted to 2,070.09 million euros at end-March 2025, which is 42.60% of the total disbursed banking loans. The indebtedness of this sector increased by 325.59 million euros or 18.66% year-on-year and 100.34 million euros or 5.09% compared to the end of 2024. The average monthly rate of growth of loans to this sector amounted to 1.67% during the first three months of the current year, while in the same period of the previous year the average monthly growth rate was 1.07%.

The retail sector borrows primarily from banks and against the maturity exceeding one year. At end-March 2025, long-term loans accounted for 99.18% of total loans granted to this sector.

Debt per capita<sup>33</sup> amounted to 3,319.15 euros at the end of the reporting period, recording an increase of 522.04 euros or 18.66% year-on-year and 160.90 euros or 5.09% increase in relation to end-2024.

<sup>33</sup> Population estimate for 2024 as at 1 January 2024 amounts to 623,680. Source: MONSTAT.

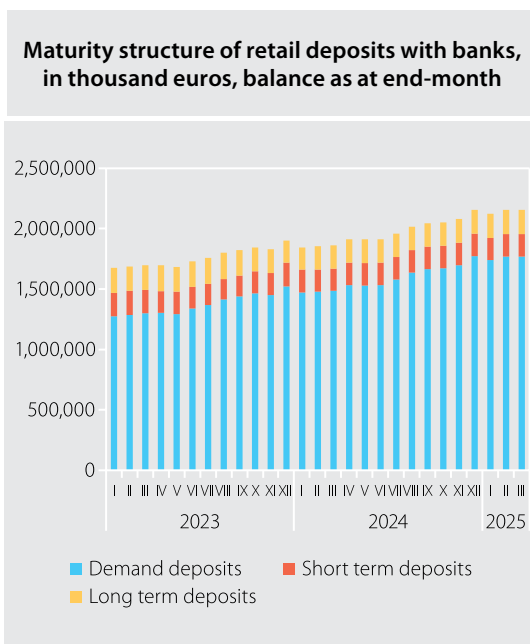
During Q1 2025, the level of deposits was characterized by slight positive trends with certain deviations. On average per month, deposits of this sector grew at a rate of 0.02% during this period, and a rate of 0.71% compared year-on-year. At end-March 2025, retail sector deposits amounted to 2,155.92 million euros, which is 295.89 million euros or 15.91% more year-on-year and 1.04 million euros or 0.05% less than at end-2024.

At end-March 2025, demand deposits accounted for 82.09% of total retail deposits, short-term deposits made up 8.58%, while 9.33% referred to funds deposited for a period over one year. Demand deposits grew by 285.49 million euros or 19.23% year-on-year, while compared to the end of the previous year they recorded a decrease of 400,000 euros or 0.02%. Short-term deposits of households recorded an increase of 2.46 million euros or 1.35% on an annual basis, i.e. a decrease of 1.64 million euros or 0.88% compared to the end of the previous year. Deposits of this sector recorded an increase of 7.94 million euros or 4.11% compared to the same period last year and an increase of 3.08 million euros or 1.55% compared to the end of the previous year. In recent years, changes in the level of short-term, long-term and demand deposits have led to a change in the structure of total deposits, in which the share of long-term deposits decreases in favour of demand deposits (graph 2.16).

During the first three months of 2025, the funds deposited in banks by the retail sector were higher than the loans granted to this sector. At the end of the observed period, net retail sector savings amounted to 85.83 million euros and they dropped by 29.70 million euros year-on-year when it amounted to 115.53 million euros, while it declined by 99.31 million euros compared to end-2024 when it amounted to 185.14 million euros (graph 2.17).

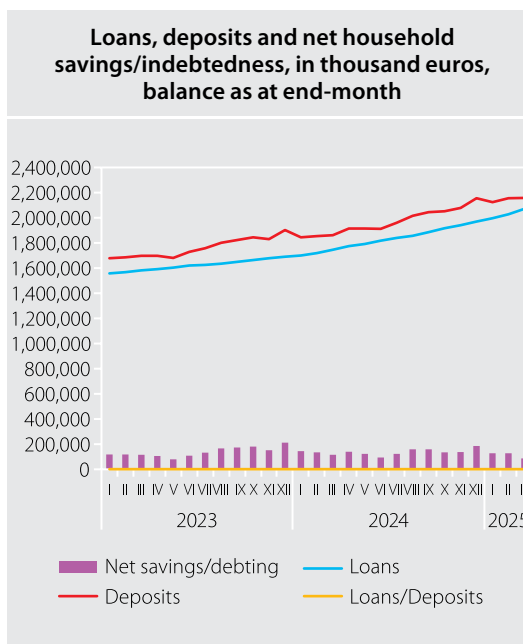
The loans to deposits ratio for this sector amounted to 0.96 and it was somewhat higher than a year ago when it stood at 0.94, as well as compared to the end of 2024 when it stood at 0.91.

Graph 2.16



Source: Banks' reports and CBCG calculations

Graph 2.17



Source: Banks' reports and CBCG calculations

### 2.1.6.2. Non-financial sector

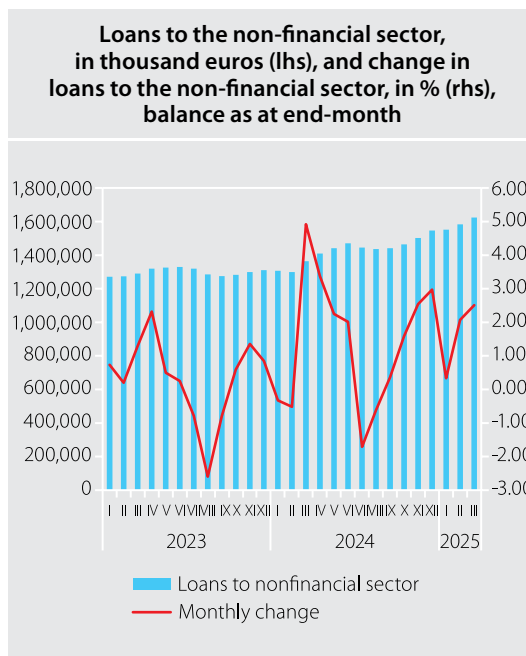
At the end of March this year, the non-financial sector<sup>34</sup> had a debt arising from bank loans in the total amount of 1,623.49 million euros, which is 33.41% of total banking loans granted. Loans to this sector increased by 259.91 million euros or 19.06% at the annual level and by 77.06 million euros or 4.98% in relation to end-2024. On average per month, loans in this sector grew at a rate of 1.64% during the period January - March 2025, while in the same period last year they grew at a rate of 1.36% (graph 2.18). Liquidity loans (working capital) amounted to 930.60 million euros or 57.32% of total loans of the non-financial sector at end-March this year and they rose 79.37 million euros or 9.32% year-on-year and 130.00 million euros or 16.24% compared to end-2024.

The non-financial sector was the second most important depositor in Montenegro's banking system. Total deposits of this sector reached 1,586.31 million euros and they accounted for 28.17% of total deposits at end-March 2025. Deposits by the non-financial sector recorded an increase of 8.80 million euros or 0.56% compared to the same period last year but also a decline of 147.04 million euros or 8.48% compared to the end of the previous year.

During Q1 2025, deposited assets of the non-financial sector with banks were lower than their borrowings. The net debt of this sector was 37.18 million euros, which is lower compared to the same period of the previous year, when the net savings of this sector amounted to 213.93 million euros, as well as compared to the end of the previous year, when net savings were realized in the amount of 186.93 million euros (graph 2.19).

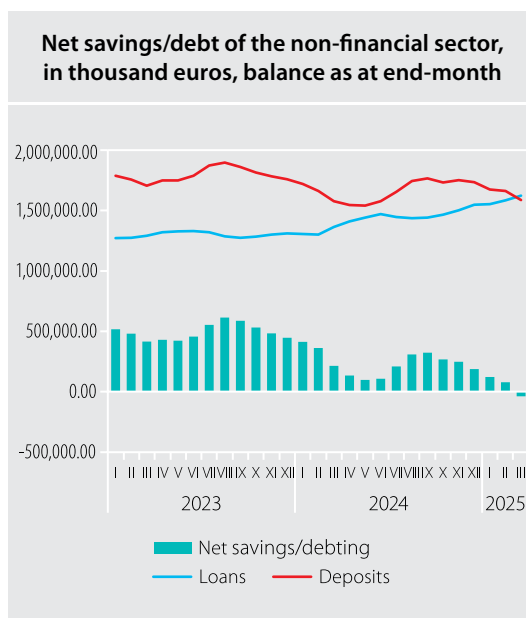
At end-March this year, the loans to deposits ratio for the non-financial sector amounted to 1.02 and it increased in relation to the same month last year when it amounted to 0.86, and compared to end-2024 when it amounted to 0.89.

**Graph 2.18**



Source: Banks' reports and CBCG calculations

**Graph 2.19**



Source: Banks' reports and CBCG calculations

<sup>34</sup> The non-financial sector includes both state-owned and private companies.

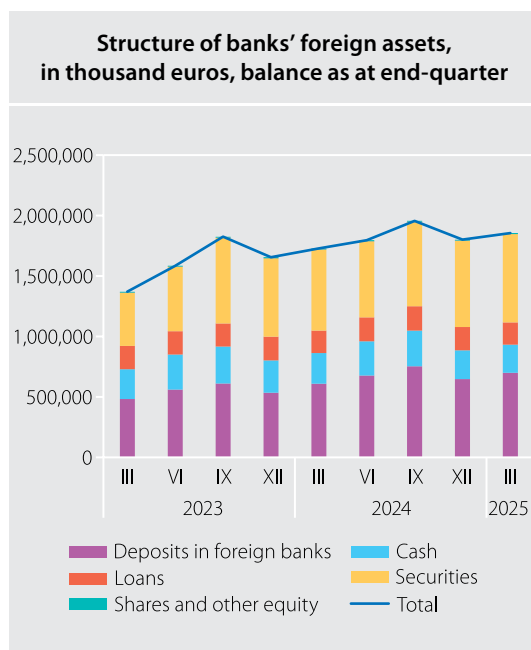
## 2.1.7. Banks' foreign assets and liabilities

As at end-March 2025, banks' foreign assets reached 1,855.75 million euros, which represents a 127.81 million euros or 7.40% increase year-on-year and a 54.71 million euros or 3.04% growth in relation to the end of the previous year.

Observed in relation to the same period of the previous year, the growth of foreign assets is mostly the result of an increase in deposits with foreign banks in the amount of 91.06 million euros or 14.94%. In addition, there was an increase in investments in debt securities of banks in the amount of 60.72 million euros or 9.05%, as well as an increase in shares and other equity investments in the amount of 497,000 euros or 6.85%. In the structure of foreign assets of banks, a decrease related to the comparative period was recorded in cash in the amount of 22.07 million euros or 8.67%, followed by loans to non-residents in the amount of 2.40 million euros or 1.29%, while a slight decrease was recorded in the category of other claims from non-residents.

Compared to the end of the previous year, the growth of foreign assets was mainly the result of an increase in foreign banks' deposits of 52.78 million euros or 8.15%. In addition, there was an increase in investments in debt securities of banks in the amount of 17.22 million euros or 2.41%, as well as an increase in shares and other equity investments in the amount of 51,000 euros or 0.66%. Certain items of foreign assets recorded a decrease in this period. A decrease was recorded in loans to non-residents in the amount of 9.25 million euros or 4.80%, cash in the amount of 6.08 million euros or 2.55%, while in the category of other liabilities from non-residents there was a decrease of 11,000 euros or 23.91% (graph 2.20).

Graph 2.20



Source: Banks' reports

The most important category in the structure of foreign assets of banks are investments in debt securities, which at the end of March of the current year amounted to 731.70 million euros and made up 39.43% of foreign assets. In addition to investments in debt securities, deposits (37.74%) and cash (12.53%) had a significant share in the structure of foreign assets, while loans to non-residents accounted for 9.88%. The remaining 0.42% referred to shares and other equity investments, while the share of other foreign liabilities was negligible.

As at end-March 2025, banks' foreign liabilities amounted to 1,555.34 million euros, which is an increase of 37.02 million euros or 2.44% year-on-year. The growth of banks' foreign liabilities is mostly the result of the growth of borrowings from non-residents in the amount of 122.11 million euros or 81.49%, as well as the growth of debt securities to non-residents in the amount of 144,000 euros or 3.39%. A decrease in relation to the comparative period was recorded in deposits

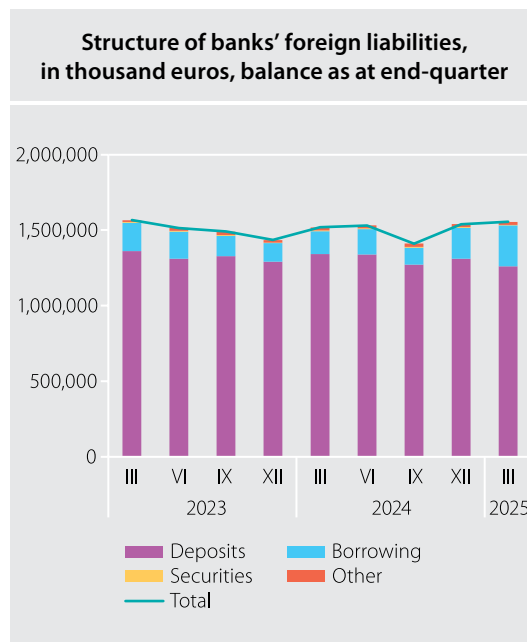
of non-residents in the amount of 83.32 million euros or 6.20%, as well as in other foreign liabilities in the amount of 1.92 million euros or 9.07%.

Compared to the same period of the previous year, foreign liabilities of banks recorded an increase of 15.51 million euros or 1.01%. The growth of banks' foreign liabilities is mostly the result of the growth of borrowings from non-residents in the amount of 66.36 million euros or 32.27%, as well as the growth of other foreign liabilities in the amount of 297,000 euros or 1.57%. A decrease in relation to the observed period was recorded in deposits of non-residents in the amount of 51.09 million euros or 3.90%, as well as in debt securities in the amount of 53,000 million euros or 1.19%.

The main share in foreign liabilities of 1,259.75 million euros or 80.99% was held by deposits of non-residents, followed by borrowing from non-residents in the amount of 271.96 million euros or 17.49%, the category "other foreign liabilities" in the amount of 19.24 million euros or 1.24%, and debt securities to non-residents with 4.40 million euros or 0.28% (graph 2.21).

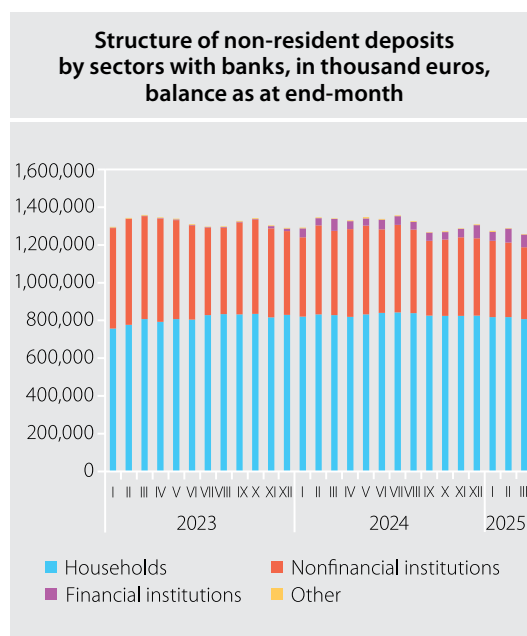
The most significant foreign source of bank financing at the end of March of the current year was deposits of natural persons with 807.73 million euros or 64.23% of the total non-resident deposits, which recorded an annual decrease of 20.10 million euros or 2.43%, and a decrease of 18.39 million euros or 2.23% compared to the end of the previous year. The second most important foreign depositors were foreign companies with a share of 379.87 million euros or 30.21%, and they recorded an increase of 66.18 million euros or 14.84% annually, but they decreased by 29.16 million euros or 7.13% compared to end-2024. Of the remaining 5.56% of foreign financing sources, 5.34%, or 67.13 million euros, related to deposits from foreign depository and other financial institutions (annual growth of 3.71 million euros or 5.85%, and a decrease of 2.10 million euros or 3.03% compared to the end of the previous year). The remaining 0.22% of foreign sources of funds or 2.80 million euros, were deposited by non-resident non-government and other non-profit organizations (annual decrease of 676,000 euros or 19.46%, i.e. a decrease of 1.45 million euros or 34.16% compared to the end of the previous year) (graph 2.22).

**Graph 2.21**



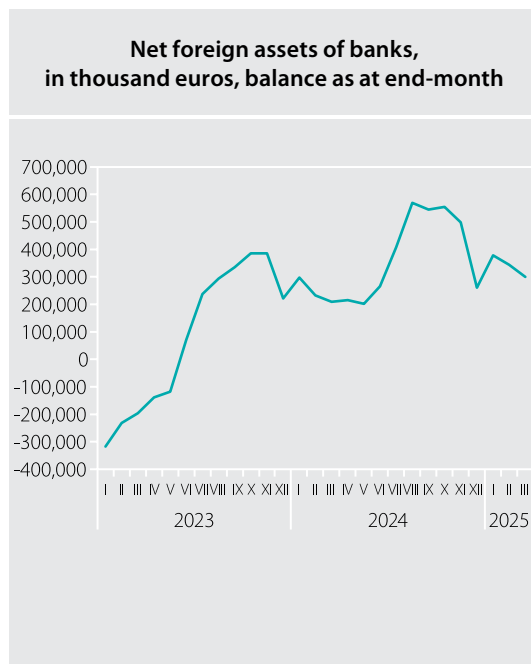
Source: Banks' reports

**Graph 2.22**



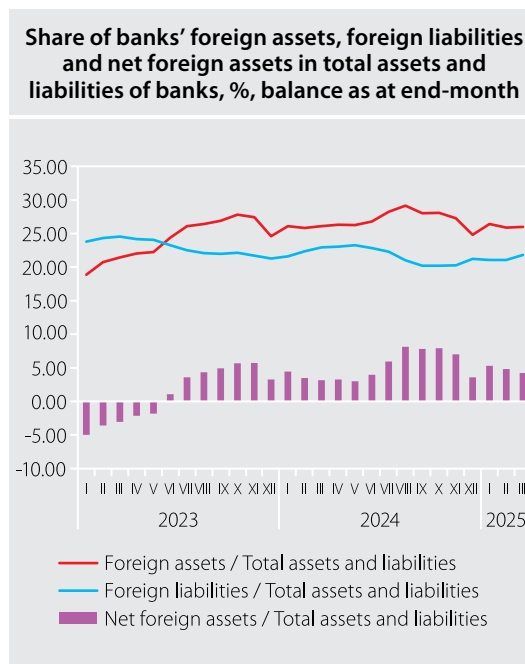
Source: Banks' reports

Graph 2.23



Source: Banks' reports

Graph 2.24



Source: Bank reports and CBCG calculations

At the end of the first quarter of 2025, the foreign assets of banks (1,855.75 million euros) were significantly higher than the liabilities of banks. At the end of March of the current year, net foreign assets amounted to 300.41 million euros and are higher by 90.78 million euros relative to the comparative period (209.63 million euros), and by 39.2 million euros compared to the end of the previous year (261.21 million euros) (graph 2.23).

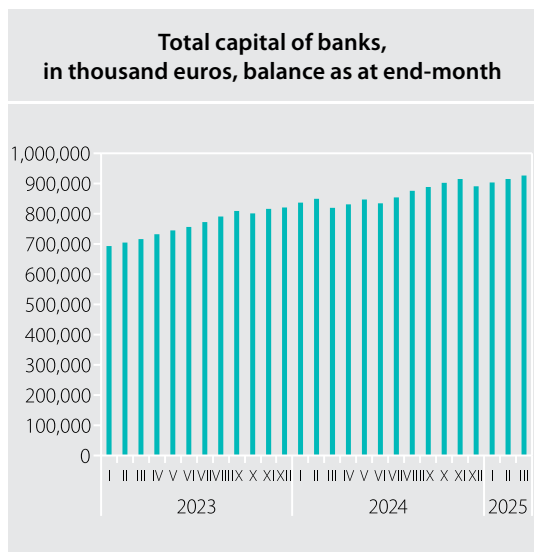
The ratio of foreign liabilities to total assets of banks shows that non-residents financed 21.80% of banks' total assets, while 26.00% of banks' total assets and liabilities related to banks' claims on non-residents. The gap between foreign assets and foreign liabilities of banks amounted to 4.21 pp at end-March 2025. The difference between the share of foreign assets and foreign liabilities in the total assets and liabilities of banks increased relative to the comparative period when it amounted to 3.17 pp, as well as compared to the end of the previous year when it amounted to 3.60 pp (graph 2.24).

### 2.1.8. Banks' capital

At the end of March 2025, the total capital of banks amounted to 926.09 million euros and recorded an annual growth of 106.35 million euros or 12.97%, i.e. a growth of 35.18 million euros or 3.95% compared to the end of the previous year (graph 2.25).

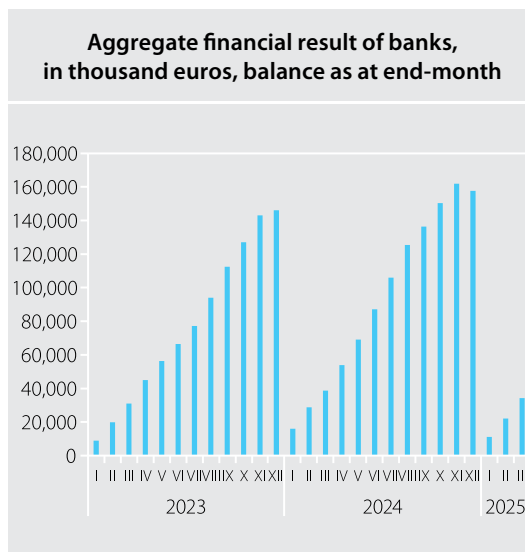
Observed on the annual level, all banks recorded growth in capital. There was no recapitalisation in any of the banks in the first quarter of 2025.

**Graph 2.25**



Source: Banks' reports and CBCG calculations

**Graph 2.26**



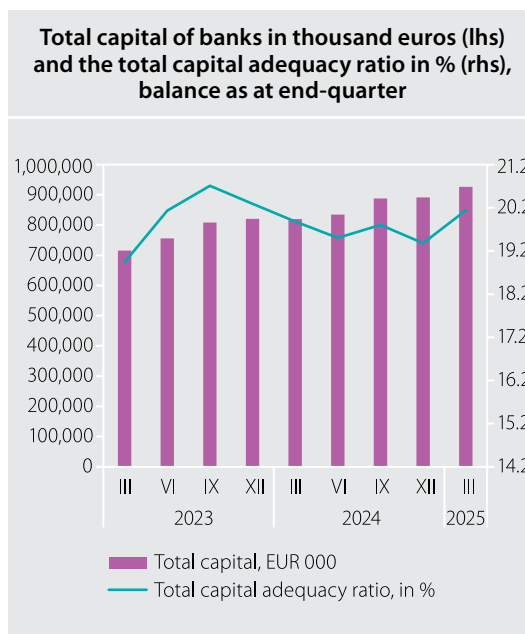
Source: Banks' reports and CBCG calculations

The total financial result was positive at the end of the reporting quarter and it amounted to 34.17 million euros, which represents an increase of 4.50 million euros or 11.63% at the annual level (graph 2.26).

As for the ownership structure of banks' capital, foreign capital accounted for the main share of 87.99%, followed by domestic private capital with 10.94%, while the state had a minor share of 1.07%.

Adequacy ratio of the banking system was above legally prescribed minimum of 8%. At the end of the observed period, it was 20.14% and is higher compared to the same period of the previous year when it was 19.88% (graph 2.27), as well as compared to the end of the previous year when it was 19.38%.

**Graph 2.27**

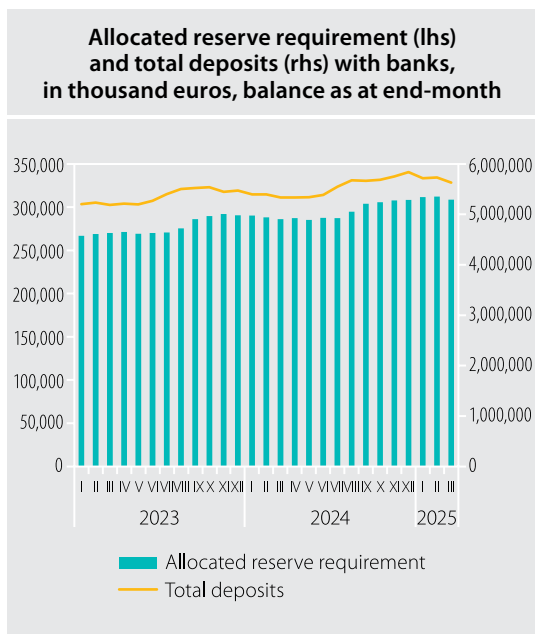


Source: Banks' reports and CBCG calculations

### 2.1.9. Banks' reserve requirements

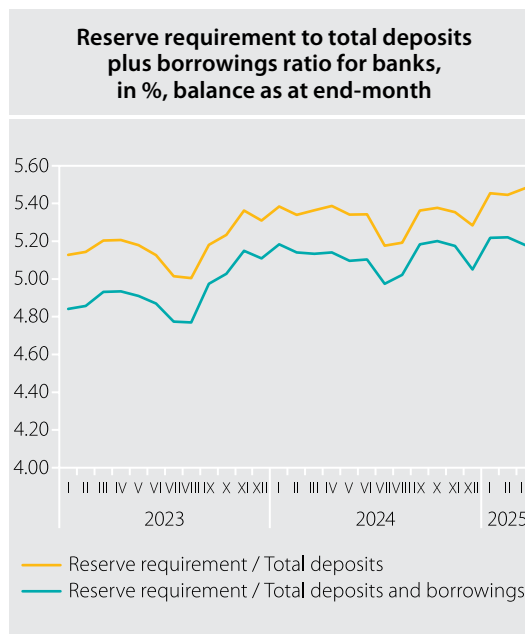
At the end of the observed period, allocated reserve requirement amounted to 308.65 million euros, and on an annual level it recorded an increase of 22.60 million euros or 7.90%. Compared to end-2024, reserve requirement decreased by 152,000 euros or 0.05% (graph 2.28).

Graph 2.28



Source: Banks' reports

Graph 2.29



Source: Banks' reports

The effective reserve requirement rate, measured by allocated reserve requirement and total deposits ratio amounted to 5.48%, recording an increase year-on-year when it amounted to 5.36%, as well as compared to end-2024 when it reached 5.28%.

The reserve requirement to total deposits plus borrowings ratio amounted to 5.18%, recording an annual increase compared to March 2024 when it was 5.13% as well as in relation to end-2024 when it amounted to 5.05% (graph 2.29).

In the total amount of allocated reserve requirement at end-March 2025, 73.00% was allocated to reserve requirement accounts in the country, while 27.00% was allocated to the CBCG account abroad.

In the reporting period, none of the banks resorted to reserve requirement for liquidity purposes, while all eleven banks allocated the statutory amount of reserve requirement.

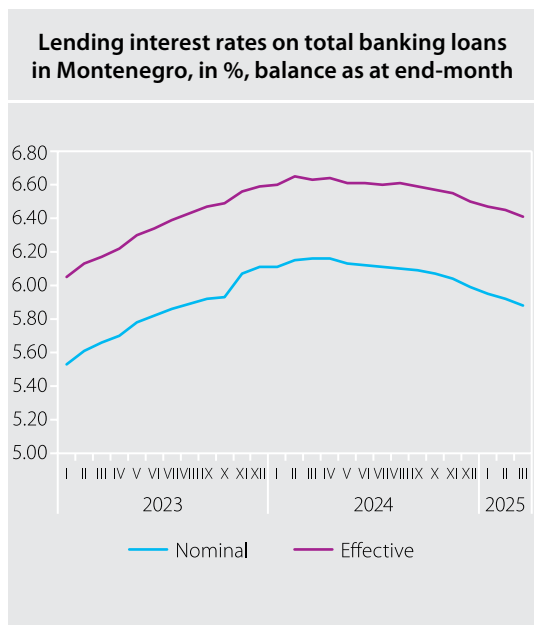
## 2.2. Banks' interest rates

### 2.2.1. Lending interest rates

#### On total loans granted

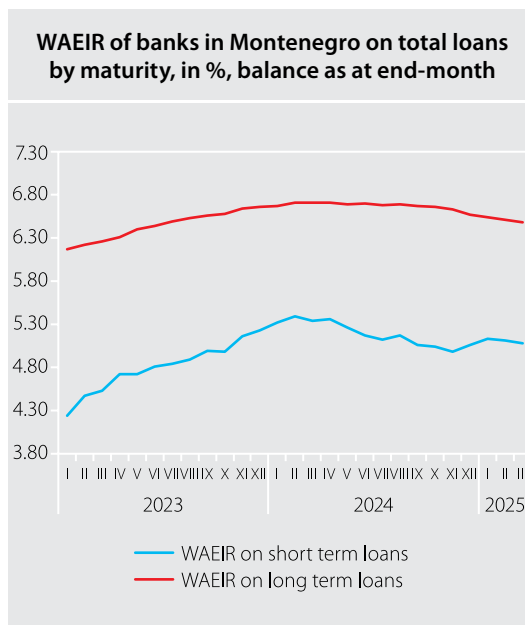
In March 2025, the weighted average nominal interest rate (WANIR) on total loans granted amounted to 5.88% and it was 0.28 pp lower year-on-year, and 0.11 pp lower relative to end-2024. The weighted average effective interest rate (WAEIR) on total loans granted amounted to 6.41%, being 0.22 pp lower annually and 0.09 pp below end-2024 level (graph 2.30).

**Graph 2.30**



Source: Banks' reports and CBCG calculations

**Graph 2.31**



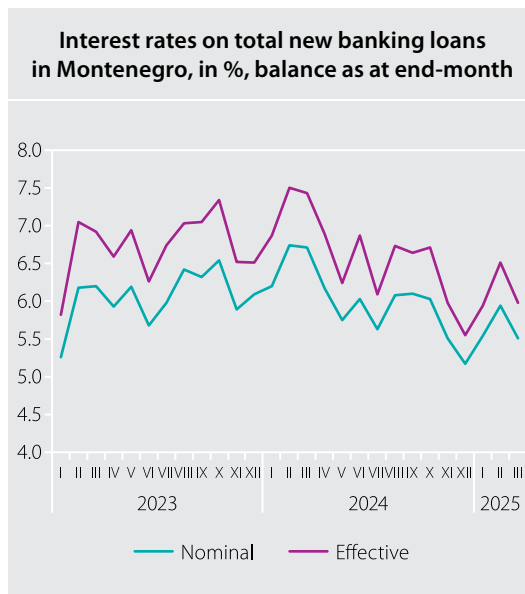
Source: Banks' reports and CBCG calculations

During the first quarter of 2025, there was a downward trend in WANIR on long-term loans, as well as in WAEIR on short-term and long-term loans, while WANIR on short-term loans oscillated slightly. WAEIR on short-term loans amounted to 5.08% in March 2025 and on the annual level recorded a decrease of 0.26 pp, while compared to the end of the previous year it was higher by 0.02 pp. The WAEIR on long-term loans amounted to 6.48%, which is 0.23 pp and 0.09 pp below March and December 2024 levels, respectively (graph 2.31).

**On new loans**

During the first quarter of 2025, the interest rates on new loans usually fluctuated significantly, but at a lower level relative to the comparative period of the previous year, while compared to the end of the year, as usual, they recorded an increase. WANIR on new loans amounted to 5.51% in March 2025 and recorded a decrease of 1.20 pp at the annual level, while compared to the end of the previous year, it recorded an increase of 0.34 pp. At the same time, the WAEIR on new loans amounted to 5.98% and on the annual level it recorded a decrease of 1.45 pp, while compared to the end of the previous year it recorded an increase of 0.43 pp (graph 2.32).

**Graph 2.32**



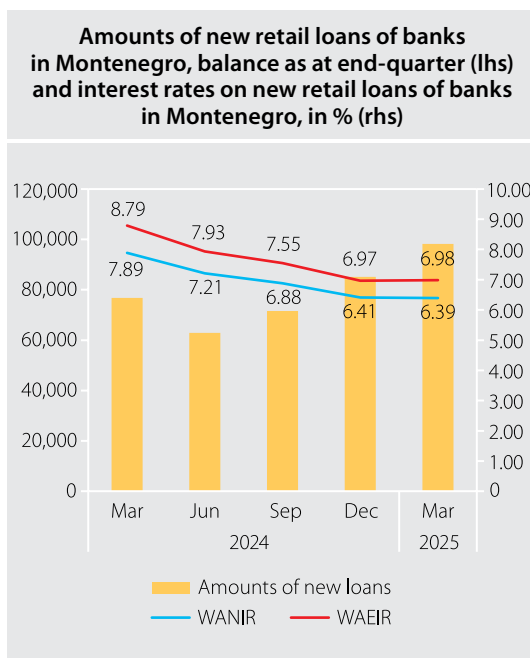
Source: Banks' reports and CBCG calculations

In March 2024, the Central Bank launched an initiative to reduce interest rates on retail loans. This initiative was supported, on a voluntary basis, by all banks in Montenegro, through favourable loans with reduced interest rates, intended for citizens. As a result, the level of interest rates on retail loans continued to decrease, during the first quarter of 2025. Namely, WANIR on new retail loans in March 2025 was 6.39%, while WAEIR was 6.98%, which represents a decrease of 1.50 pp and 1.81 pp, respectively, compared to the first quarter of 2024 (graph 2.33).

WAEIR on short-term loans amounted to 5.03% in March 2025 and on the annual level recorded a decrease of 0.61 pp, while compared to the end of the previous year it was higher by 0.39 pp. In the same period, WAEIR on total loans with a maturity over one year amounted to 6.16%, which represents a decrease of 1.74 pp at the annual level, while compared to the end of the previous year, it recorded an increase of 0.40 pp (graph 2.34).

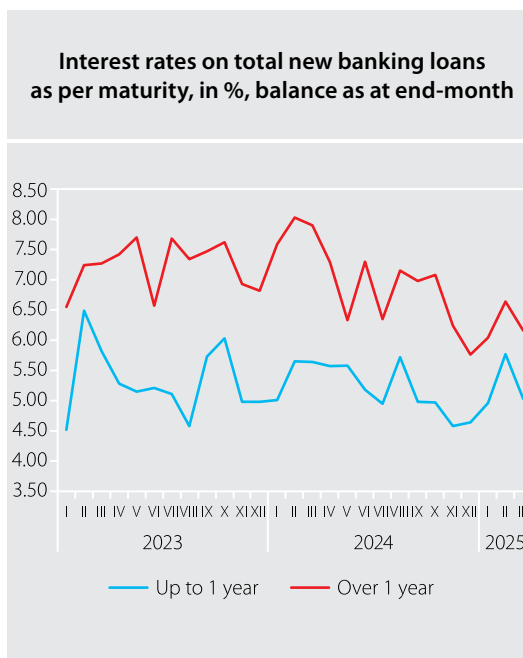
As for the purpose of loans granted in Q1 2025, the highest WAEIR was recorded on long-term loans granted for education (25.09% in January, 11.25% in March), short-term loans for refinancing liabilities to other banks (10.71% in February), short-term non-purpose cash loans (10.46% in February). The lowest WAEIR on new loans was recorded with long-term loans for the purchase of consumer goods (0.03% in January).

**Graph 2.33**



Source: Banks' reports and CBCG calculations

**Graph 2.34**



Source: Banks' reports and CBCG calculations

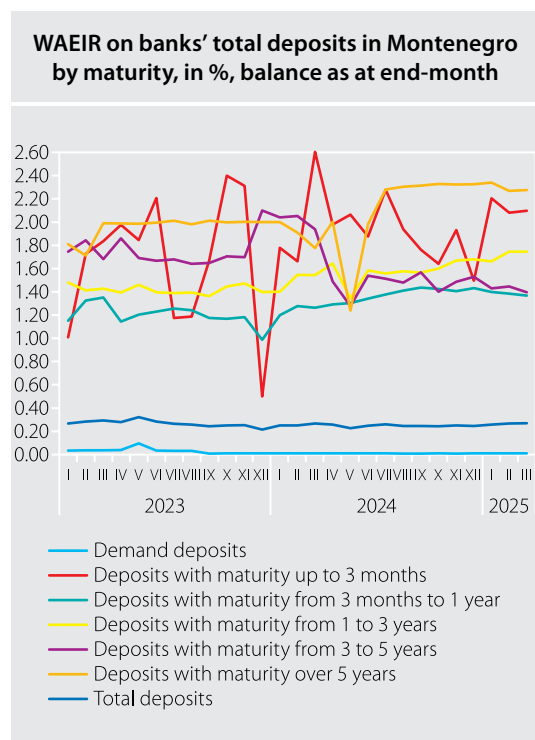
### 2.2.2. Deposit interest rates

The WAEIR on deposits recorded minor growth in Q1 2025. In March 2025, it amounted to 0.27% and remained unchanged compared to March of the previous year, while compared to the end of the previous year, it recorded a growth of 0.02 pp.

Compared to the same period of the previous year, decline was recorded in interest rates on deposits with a maturity of up to three months (by 0.51 pp), as well as interest rates on deposits from three to five years (by 0.54 pp). Interest rates on deposits of other maturities recorded growth, with the highest growth, of 0.50 pp, recorded in interest rates on deposits with maturities over five years (graph 2.35).

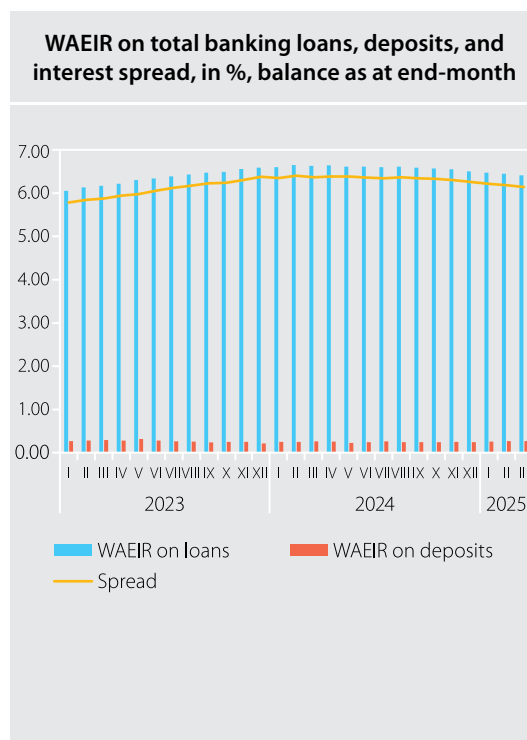
In March this year, the difference between lending and deposit interest rates on total loans and deposits of banks amounted to 6.14 pp, being lower than in the same month last year when it amounted to 6.36 pp as well as in relation to end-2024 when it amounted to 6.25 pp (graph 2.36).

Graph 2.35



Source: Banks' reports and CBCG calculations

Graph 2.36



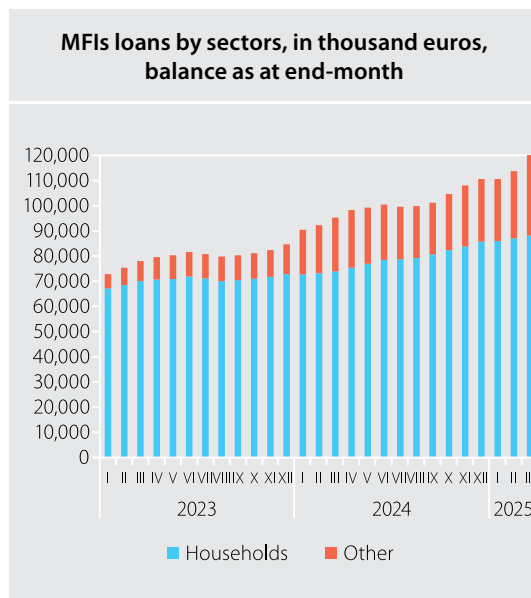
Source: Banks' reports and CBCG calculations

## 2.3. Micro-credit financial institutions

At end-March 2025, total assets and liabilities of microcredit financial institutions (MFIs) amounted to 120.80 million euros and they recorded the year-on-year increase of 25.59 million euros or 26.88% and a 9.73 million euros or 8.76% increase in relation to the end of 2024.

Total MFIs net loans at end-March 2025 amounted to 114.78 million euros (95.01% of MFIs net assets), while gross loans amounted to 120.11 million euros (99.42% of gross assets). Observed annually, MFIs net loans increased by 24.63 million euros or 27.33%, and compared to the end of the previous year by 9.46 million euros or 8.98%. Gross MFIs loans increased by 24.81 million euros or 26.03%, i.e. by 9.51 million euros or 8.60% compared to December of the previous year. The sectoral allocation of gross loans shows that the dominant part of 73.37% of MFIs loans was related to retail sector. Some 22.80% related to the non-financial sector, 3.65% to the financial sector, while the remaining 0.18% related to non-residents (graph 2.37).

Graph 2.37



Source: MFIs reports and CBCG calculations

During Q1 2025, MFIs approved a total of 29.78 million euros of new loans, which is an increase of 9.03 million euros or 43.54% y-o-y.

Looking at the maturity structure of new loans in the reporting period, loans approved for a period over one year amounted to 25.85 million euros and they accounted for 86.80% of all new loans, which is 1.58 pp more than a year ago.

Observing the purpose structure of new loans, the largest share in the amount of 15.26 million euros or 51.22% were loans for the acquisition of fixed assets, followed by liquidity loans for the working capital in the amount of 5.98 million euros or 20.09%, cash loans in the amount of 1.81 million euros or 6.09%, loans for agriculture in the amount of 1.69 million euros or 5.66%, while 16.94% was for other purposes.

In the structure of MFIs liabilities, borrowings with 60.06% recorded the highest share. Total capital accounted for 34.89%, “other liabilities” accounted for 4.47%, while issued securities accounted for 0.58% in the structure of total assets and liabilities.

As at end-March 2025, banks’ foreign assets reached 42.14 million euros, which represents a 2.00 million euros or 4.99% increase year-on-year and a 1.77 million euro or 4.37% growth in relation to the end of the previous year.

Total MFI borrowings amounted to 72.56 million euros and they were 23.00 million euros or 46.40% higher year-on-year, i.e. 8.55 million euros or 13.36% higher compared to end-2024. The largest part of MFI loans, i.e. 66.68% of their total amount, consisted of loans taken from foreign financial institutions. Some 24.69% related to loans taken from domestic banks, 0.03% to loans taken from other domestic financial institutions, while 8.60% related to loans from other sources. Short-term MFI borrowings and long-term borrowings accounted for 31.24% and 68.76% of total borrowings, respectively.

At the aggregate level, during the first three months of 2025, MFIs recorded a positive financial result in the amount of 1.24 million euros, which was higher by 269,000 euros or 27.62% year-on-year.

### 2.3.1. MFIs interest rates

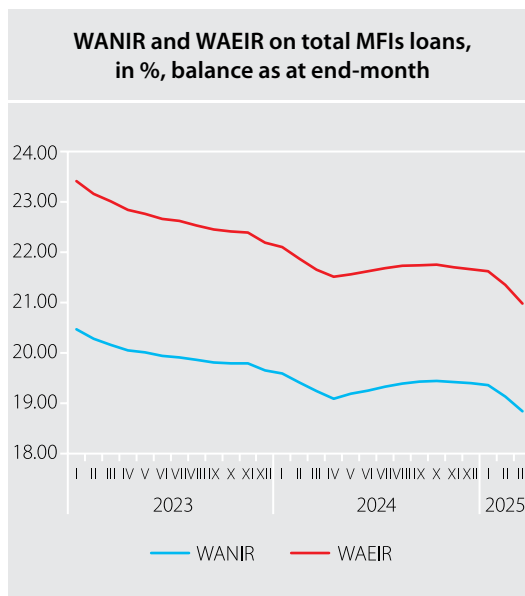
#### On total loans granted

At end-March 2025, the WANIR on total MFI loans amounted to 18.84%, being 0.40 pp lower year-on-year and 0.56 pp lower compared to the end of 2024.

The WAEIR reached 20.98% and it dropped 0.67 pp year-on-year and 0.68 pp in relation to end-2024 (graph 2.38).

The WAEIR on total short-term loans stood at 20.64%, being 0.42 pp lower year-on-year or 1.16 pp lower compared to end-2024. At the same period, the WAEIR on total long-term loans stood at 21.00%, being 0.69 pp lower year-on-year or 0.65 pp lower compared to end-2024.

**Graph 2.38**



Source: MFIs reports and CBCG calculations

#### On new loans

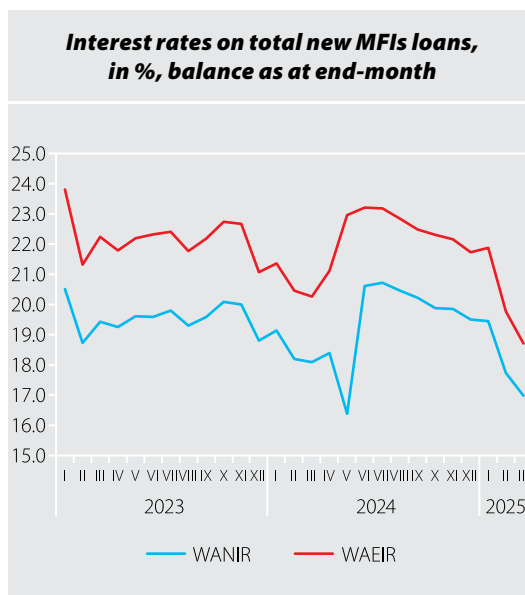
In March 2025, the WANIR on these loans amounted to 16.98%, recording a decrease of 1.11 pp year-on-year, and 2.52 pp decrease relative to end-2024.

The WAEIR on new loans stood at 18.71%, being 1.55 pp lower than a year ago and 3.02 pp lower than at end-2024 (graph 2.39).

Observed by maturity, the WAEIR on new short-term loans amounted to 20.10% in March 2025 and was reduced by 1.05 pp on an annual basis, and by 1.59 pp compared to the end of the previous year.

On the other hand, WAEIR on loans approved with maturity over one year amounted to 18.52% and decreased by 1.59 pp annually, and by 3.21 pp compared to the end of the previous year.

**Graph 2.39**



Source: MFIs reports and CBCG calculations

Observed by the purpose for which the loans were granted during Q1 2025, the highest WAEIR rates were recorded on short-term loans for construction and adaptation of buildings (38,45% in February, 36.30% in January and 36,02% in March), followed by short-term loans for purchase of motor vehicles (35.52% in January), long-term loans for education (35.75% in January) and on short-term loans for tourist season preparations (32.43% in March).

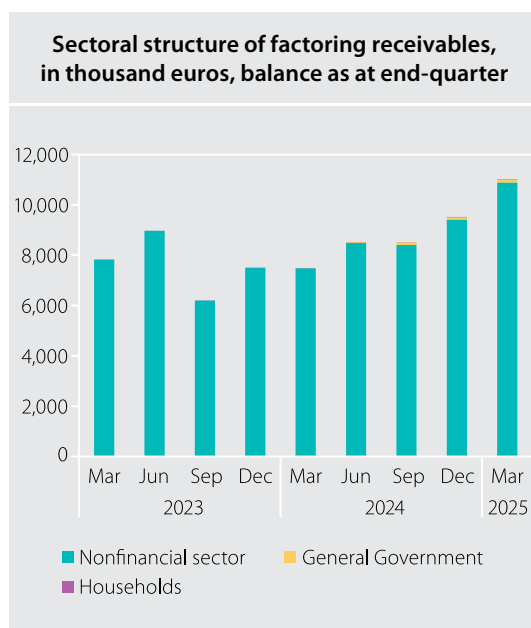
## 2.4. Factoring companies

Total assets and liabilities of factoring companies amounted to 11.90 million euros, which is an increase of 3.92 million euros or 49.10% year-on-year and a growth of 526,000 euros or 4.62% compared to end-2024.

The main share of total assets in the amount of 11.02 million euros or 92.58% was factoring receivables and they recorded an annual increase in the amount of 3.54 million euros or 47.25%, but also an increase of 1.50 million euros or 15.76% compared to the end of the previous year. Deposits with banks amounted to 254,000 euros, which is a decrease of 16,000 euros or 5.93% year-over-year, and a fall of 923,000 euros or 78.42% compared to end-2024. The remaining amount of 686,000 euros were “other assets”, which increased by 419,000 euros or 2.5 times year-on-year, while they decreased by 14,000 or 2.00% compared to the end of 2024.

Major part of gross receivables from factoring of 10.89 million euros or 98.82% related to the non-financial sector. General government accounted for 115,000 euros or 1.04% while the remaining 15,000 euros or 0.14% referred to the retail sector.

Graph 2.40



Source: Reports of factoring companies and CBCG calculations

Factoring companies finance themselves primarily from received loans, which at the end of March this year amounted to 9.21 million euros and they made up 77.34% of total liabilities. Year-on-year, received loans grew by 3.18 million euros or 52.75%, while they were 504,000 euros or 5.79% higher relative to end-2024. Total capital of factoring companies amounted to 2.33 million euros and it made up 19.55% of the liabilities of these institutions, while the “other liabilities” category accounted for 370,000 euros or 3.11% of the total assets and liabilities of these companies. Compared year-on-year, total capital grew by 567,000 euros or 32.22%, i.e. 158,000 euros or 7.28% in relation to the end of the previous year. The category “other liabilities” recorded annual growth of 174,000 euros (1.9 times) and 136,000 euros (26.88%) decline in relation to end-2024.

## 2.5. Companies for the purchase of receivables

At end-March 2025, total assets and liabilities of the companies for the purchase of receivables amounted to 8.14 million euros and they recorded the year-on-year decrease of 213,000 euros or 2.55% and a 58,000 euros or 0.71% decrease in relation to the end of 2024.

In the structure of the assets and liabilities of companies for the purchase of receivables at the end of the observed period, the dominant share in the amount of 5.82 million euros or 71.51% of total assets was net receivables based on purchased receivables, which recorded a year-on-year decrease in the amount of 673,000 euros or 10.37%, and 353,000 euros or 5.72% fall relative to end-2024. Deposits amounted to 867,000 euros or 10.66% of total assets, which is an increase of 111,000 euros or 14.68% year-over-year, and a fall of 8,000 euros or 0.91% compared to end-2024. The category “other assets” accounted for 1.45 million euros or 17.83% of total assets and recorded an annual growth of 349,000 euros or 31.67%, i.e. a growth of 303,000 euros or 26.39% compared to the end of the previous year.

Companies for the purchase of receivables financed themselves mainly from capital which amounted to 5.65 million euros at end-March 2025 and it accounted for 69.48% of total liabilities. Received loans amounted to 609,000 euros or 7.49% of total liabilities, while the remaining portion of 1.87 million euros or 23.03% referred to the category “other liabilities”. Compared year-on-year, capital grew by 984,000 euros or 21.08%, i.e. 250,000 euros or 4.63% in relation to the end of the previous year. Loans to this sector decreased by 799,000 euros or 56.75% at the annual level and by 126,000 euros or 17.14% in relation to end-2024. The category “other liabilities” recorded annual decline of 398,000 euros (17.52%) and 182,000 euros (8.85%) decline in relation to end-2024.

## 2.6. Development Bank of Montenegro

At end-March 2025, total assets and liabilities of Development Bank of Montenegro<sup>35</sup> amounted to 405.66 million euros and they recorded the year-on-year decrease of 18.96 million euros or 4.47% and a 13.83 million euros or 3.30% decrease in relation to the end of 2024.

Total liabilities amounted to 293.85 million euros or 72.44% of total liabilities and recorded an annual decrease of 24.08 million euros or 7.57%, i.e. a decrease of 16.25 million euros or 5.24% compared to the end of the previous year.

Non-performing assets amounted to 23.44 million euros and accounted for 5.78% of total banks' assets. Non-performing assets recorded annual decline of 9.65 million euros (29.16%) and 1.93 million euros (7.59%) decline in relation to end-2024.

In the first three months of the current year, Development Bank of Montenegro recorded a positive financial result in the amount of 2.42 million euros, which is the year-on-year decrease of 770,000 euros or 24.16%.

<sup>35</sup> The Development Bank of Montenegro (DBM), established by the Law on the Development Bank of Montenegro Podgorica (OGM 99/24), is the legal successor of the Investment and Development Fund of Montenegro.



# ISSUANCE OF TREASURY BILLS

03



During the period January - March 2025, no auction of Treasury bills was held due to the use of alternative borrowing mechanisms. The last treasury bill auctions were conducted in December 2023, with a total of three auctions resulting in a total issued amount of 70 million euros. Total demand for treasury bills on that occasion amounted to 60 million euros, while treasury bills in the amount of 50 million euros were sold across the three auctions.

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

As at 31 March 2025, the government had no debt for T-bills sold.



# CAPITAL MARKET

04



During the first quarter of 2025, 1.62 million euros of turnover was realized on the Montenegro Stock Exchange, which represents an increase of 728,555 euros or 81.64% year-over-year.

In line with the growth in total turnover, the average monthly turnover also increased, amounting to 540,322 euros (compared to 297,470 euros in the corresponding period). The highest turnover of 921,270 euros was recorded in March.

The increased turnover during the observed period was achieved through 321 transactions, which is fewer than in the comparative period (348 transactions) (graph 4.1). The highest number of transactions was recorded in January (118).

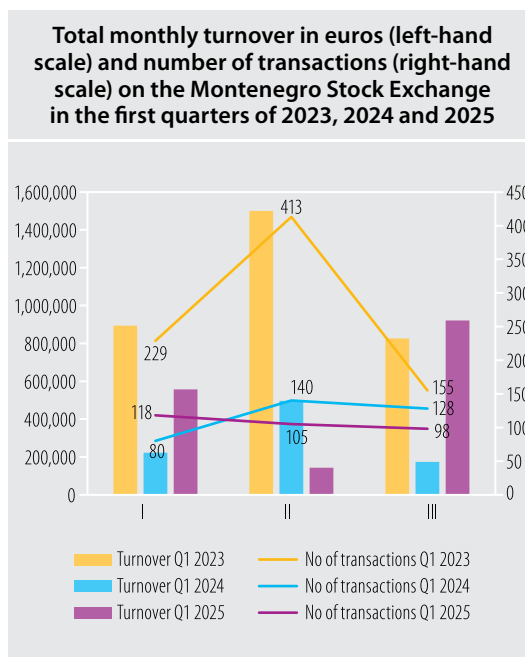
In the observed period, not a single block trade or auction for a block of shares was realized on the Montenegro Stock Exchange.

The entire turnover was recorded through secondary trade.

### Turnover structure

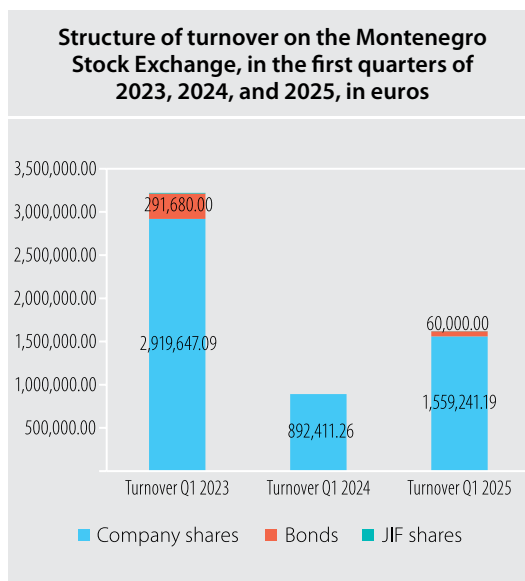
In the structure of turnover achieved in the first quarter of 2025, the largest share of 96.19% was recorded by the company shares turnover, which is 3.81 pp more on an annual basis. The share of trading in various types of bonds amounted to 3.70%, while in the comparable period of the previous year there was no recorded trading in bonds nor in investment fund shares, which accounted for 0.11% of total turnover in the first quarter of this year (graph 4.2).

Graph 4.1



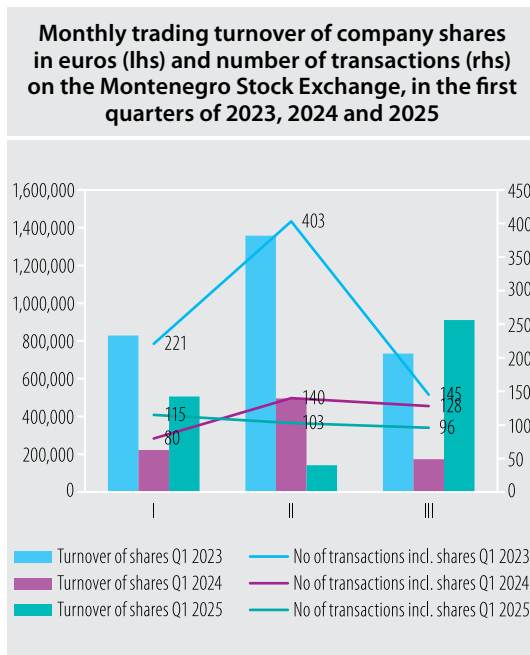
Source: Montenegro Stock Exchange

Graph 4.2



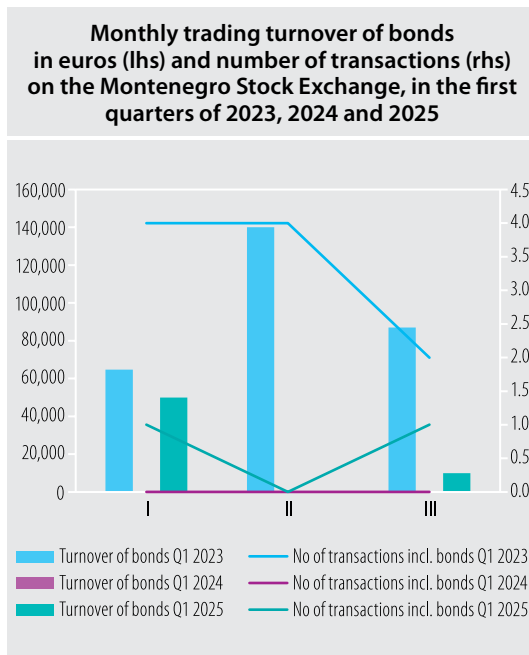
Source: Montenegro Stock Exchange

Graph 4.3



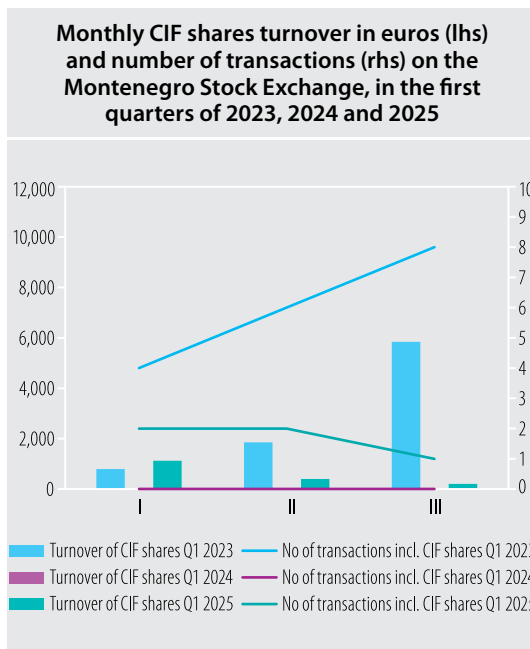
Source: Montenegro Stock Exchange

Graph 4.4



Source: Montenegro Stock Exchange

Graph 4.5



Source: Montenegro Stock Exchange

The total company shares turnover in the amount of 1.56 million euros was executed through 314 transactions, accounting for 97.82% of total transactions executed at the Montenegro Stock Exchange. The trade in company shares was 666,830 euros or 74.72% higher year-on-year while the number of completed deals decreased by 9.77% (graph 4.3).

Bond trading during the observed period amounted to 60,000 euros, realised through 2 transactions (graph 4.4), entirely relating to corporate bond trading.

Trade in shares of collective investment funds (CIF) amounted to 1,725 euros and it was realized through 5 transactions (graph 4.5).

## Stock exchange indices

At end-March 2025, the MONEX<sup>36</sup> index amounted to 17,559.71 index points and recorded an increase of 2,857.85 index points or 19.44% compared to the same period of the previous year, while compared to the end of the previous year it increased by 1,126.25 index points or 6.85% (graph 4.6).

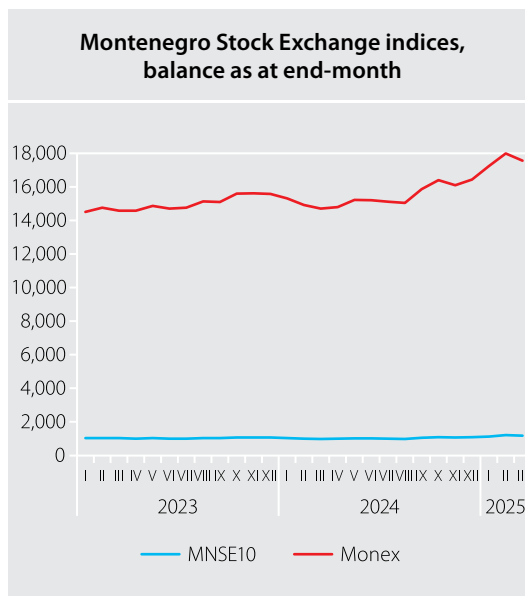
At the same time, the MNSE10<sup>37</sup> index reached 1,173.35, recording a growth of as much as 195.39 index points or 19.98% year-on-year, while compared to the end of the previous year it increased by 87.83 index points or 8.09%.

## Capitalisation

The realized market capitalization on the Montenegro Stock Exchange at the end of March 2025 amounted to 3,694.88 million euros and recorded an increase of 2.64% on an annual basis, i.e. a decrease of 3.44% compared to the end of the previous year (graph 4.7).

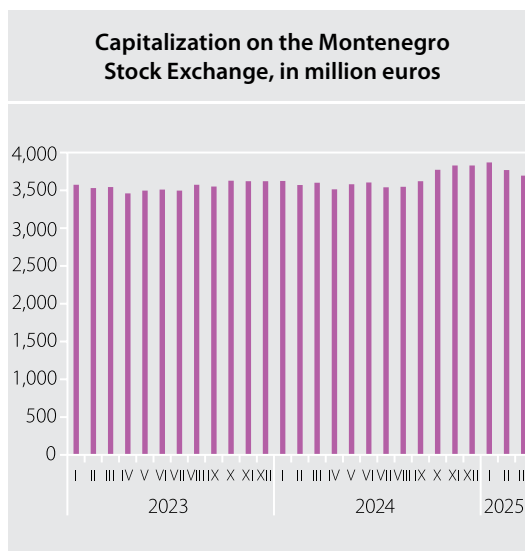
Liquidity measured by the asset turnover ratio on the Montenegro Stock Exchange at the end of March 2025 was 0.000249 and it was higher compared to the same period of the previous year when it was 0.000048, as well as compared to December of the previous year when it was 0.000183.

Graph 4.6



Source: Montenegro Stock Exchange

Graph 4.7



Source: Montenegro Stock Exchange

<sup>36</sup> The MONEX is an index weighted by market capitalisation that is in free float and is not adjusted for dividends paid and is not protected from the dilution effect that occurs due to the payment of dividends.

<sup>37</sup> MNSE10 represents a leading (*blue-chip*) index of the Montenegro SE, aimed at precisely describing developments of prices of shares at the Stock Exchange and Free market of "Montenegro Stock Exchange" AD Podgorica. It includes ten "best" companies from the Montenegrin market.



# FISCAL DEVELOPMENTS

05



During the first quarter of 2025, the *public finances and budget of Montenegro* were marked by a pronounced increase in expenditures compared to the same period of the previous year, while revenues remained at approximately the same level. As a result, a public sector deficit of 1.02% of gross domestic product was recorded, while the budget deficit amounted to 0.81% of GDP.

On the revenue side, the most pronounced growth was recorded via value added tax (VAT), while the strongest decline was recorded in pension and disability insurance. The VAT growth is the result of increased economic activity, a higher level of consumption and investments, as well as a reduction in the volume of the shadow economy. The decrease in revenues from pension and disability insurance is a consequence of the reduction of employees' contributions to pension insurance by 10.5%, which is one of the measures from the Fiscal Strategy of Montenegro for the period 2024-2027.

On the other hand, the increase in expenditures was mainly conditioned by higher allocations for rights in the pension and disability insurance, as well as the increase in interest-based expenditures, which is the result of the increase in the price of external sources of budget financing during the previous two years.

## 5.1. Public finances of Montenegro<sup>38</sup>

According to the Ministry of Finance estimates, *public revenues*<sup>39</sup> amounted to 666.22 million euros in the first three months of 2025, i.e. 8.41% of the estimated GDP for 2025<sup>40</sup> (Annex D, table 12). Realized public revenues during the first three months are lower by 18.91 million euros or 2.76% compared to the planned for the observed period, and by 2.69 million euros or 0.40% compared to the same period of the previous year. All revenue items, except taxes and fees, recorded a decrease on the annual level, with the largest decrease recorded in contributions (30.44 million euros or 26.50%).

In the structure of public revenues, tax revenues dominate (77.79%). They are followed by contributions (12.67%), while the remaining amount (9.54%) refers to revenues from compensations (4.80%), donations (2.37%), other revenues (1.76%) and fees (0.61%).

<sup>38</sup> The structure of Montenegro's public finances comprises of the Budget of Montenegro with the state funds (Pension and Disability Fund, Health Insurance Fund, Compensation Fund, Employment Agency, and Labour Fund) and self-government budgets (Old Royal Capital Cetinje, Capital Podgorica, and 23 municipalities).

<sup>39</sup> Total public revenues include revenues from budget, state funds and local self-government.

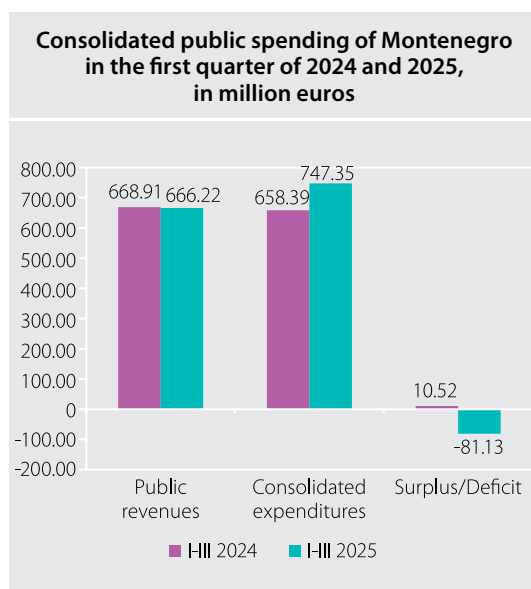
<sup>40</sup> Source: Ministry of Finance; estimated GDP for 2025 amounts to 7.92 billion euros.

**Public spending** in the first quarter of 2025 amounted to 747.35 million euros, or 9.44% of the estimated GDP. Compared to the plan, public spending was 59.99 million euros or 7.43% lower, and 88.96 million euros or 13.51% higher than in the previous year. The largest increase in expenditures (35.76 million euros) was recorded in social protection transfers, primarily due to the increase in expenditures for pensions. This increase resulted from the regular adjustment of pensions in accordance with the change in the annual rate of inflation and the average gross salary, as well as due to the increase in the number of pensioners.

The missing funds during the first three months amounted to 167.08 million euros. The state borrowed an amount of 0.64 million euros through domestic sources of financing, and 16.47 million euros through foreign sources of financing. Receipts from property sales amounted to 1.45 million euros, and receipts from loan repayments to 4.34 million euros, while income from transfers from the budget amounted to 5.38 million euros. The remaining part of the missing funds was provided from state deposits, which reduced their level by 138.80 million euros.

Observed by economic classification, the largest expenditure item were social protection transfers (269.74 million or 3.41% of GDP, mainly due to pension expenditures) and gross wages (188.49 million euros or 2.38% of GDP), while transfers to institutions, individuals, non-governmental and public sectors amounted to 112.87 million euros or 1.43%, and capital expenditures to 57.36 million euros or 0.72% of GDP.

**Graph 5.1**



Source: Ministry of Finance

The level of public revenues in the first quarter of 2025 is lower than the realized public consumption, so the *cash deficit* of the public sector amounted to 81.13 million euros or 1.02% of estimated GDP, while in the same period of the previous year the cash surplus of the public sector amounted to 10.52 million euros or 0.14% of estimated GDP for 2024 (graph 5.1).

## 5.2. Budget of Montenegro

As per preliminary data of the Ministry of Finance, *total revenues of the Budget and State Funds* amounted to 601.70 million euros at end-Q1 2025 and made up 7.60% of estimated GDP. In the structure of budget revenues, current revenues accounted for 96.46%, while borrowings and loans from foreign sources and revenues from the sale of assets and loan repayment accounted for 3.54% (table 5.1).

*Current revenues*<sup>41</sup> of the budget amounted to 580.41 million euros, or 7.33% of estimated GDP. In relation to the plan, these revenues were lower by 2.19%, and compared to the same period in 2024 they recorded minor increase of 0.81%.

In the current revenues structure, tax revenues accounted for the main share (80.96%), followed by contributions (14.54%), while the remaining 4.50% referred to compensations (2.09%), other revenues (1.40%), fees (0.52%) and donations (0.49%).

Collection of tax revenues (taxes and contributions) amounted to 554.28 million euros, of which indirect taxes accounted for 371.39 million euros and direct taxes<sup>42</sup> accounted for 182.89 million euros. Within taxes, the largest share in current revenues consists of value added tax (48.63%), while in the category of contributions, contributions for pension and disability insurance recorded the largest share (12.28%).

Tax based revenues amounted to 469.88 million euros, recording a minor decrease relative to the plan and a 9.82% increase compared year-on-year.

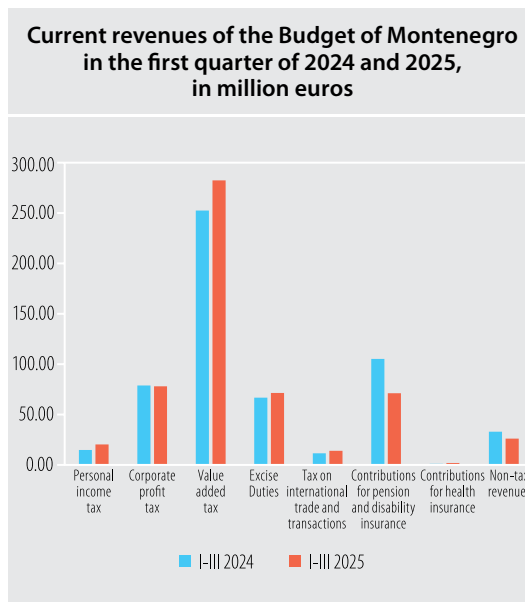
Revenues from all taxes, except corporate income tax, recorded growth on an annual basis, with the largest increase (29.93 million euros) recorded in value added tax, primarily as a result of increased consumption, that is, an increase in the disposable income of citizens.

Revenues from contributions amounted to 84.40 million euros and were 8.32% lower compared to the plan, and by 26.50% compared to the same period of the previous year, due to the decrease in contributions for pension and disability insurance. The drop in this type of income is a consequence of the implementation of measures from the Fiscal Strategy of Montenegro for the period 2024-2027, which abolished the tax burden of 5.5% on employers, and at the same time reduced the tax burden on employees - from 15% to 10%.

<sup>41</sup> In accordance with the Law Amending the Law on Budget and Fiscal Responsibility (adopted at the end of February 2023), receipts from loan repayments are excluded from source revenues and are now kept as part of financing transactions.

<sup>42</sup> Direct taxes consist of: personal income tax, corporate profit tax and contributions.

Graph 5.2



Source: Ministry of Finance

Table 5.1

Total revenues of the Budget of Montenegro and state funds in Q1 2025							
Type of receipts	Realised I-III 2024	Plan I-III 2025	Realised January-March 2025	Share in total revenues	Share in GDP	Realised in relation to the Plan	Realised in relation to the I-III 2024
	In million euros	In million euros	In million euros	%	%	Index	Index
Taxes	427.88	471.48	469.88	78.09	5.93	99.66	109.82
Personal income tax	14.94	20.09	20.29	3.37	0.26	101.00	135.81
Corporate profit tax	78.93	82.23	78.20	13.00	0.99	95.10	99.08
Property turnover tax	0.00	0.00	0.00	0.00	0.00		
Value added tax	252.35	282.28	282.28	46.91	3.56	100.00	111.86
Excise Duties	66.92	70.65	71.47	11.88	0.90	101.16	106.80
Tax on international trade and transactions	11.49	12.69	14.16	2.35	0.18	111.58	123.24
Other state taxes	3.25	3.54	3.48	0.58	0.04	98.31	107.08
Contributions	114.83	92.06	84.40	14.03	1.07	91.68	73.50
Contributions for pension and disability insurance	105.26	81.59	71.29	11.85	0.90	87.38	67.73
Contributions for health insurance	1.18	1.31	2.05	0.34	0.03	156.49	173.73
Contributions for unemployment insurance	4.91	4.97	6.55	1.09	0.08	131.79	133.40
Other contributions	3.48	4.19	4.51	0.75	0.06	107.64	129.60
Duties	2.84	3.23	2.99	0.50	0.04	92.57	105.28
Fees	10.10	15.24	12.15	2.02	0.15	79.72	120.30
Other revenues	12.44	6.40	8.12	1.35	0.10	126.88	65.27
Donations and transfers	7.63	5.00	2.87	0.48	0.04	57.40	37.61
<b>CURRENT REVENUES</b>	<b>575.72</b>	<b>593.41</b>	<b>580.41</b>	<b>96.46</b>	<b>7.33</b>	<b>97.81</b>	<b>100.81</b>
Receipts from property sale	0.28	1.50	0.60	0.10	0.01	40.00	214.29
Receipts from loan repayment	5.40	0.83	4.24	0.70	0.05	510.84	78.52
Borrowings and loans from foreign sources	694.45	0.00	16.45	2.73	0.21		2.37
Borrowings and loans from domestic sources	0.00	0.00	0.00	0.00	0.00		
<b>TOTAL RECEIPTS OF THE BUDGET OF MONTENEGRO AND STATE FUNDS</b>	<b>1,275.85</b>	<b>595.74</b>	<b>601.70</b>	<b>100.00</b>	<b>7.60</b>	<b>101.00</b>	<b>47.16</b>
NOTE:							
GDP in million euros (for 2025; estimation)					7,918.50		

Source: Ministry of Finance

*Total budget expenditures* in the first quarter of 2025 amounted to 727.06 million euros or 9.18% of the estimated GDP. Compared to the planned ones, they were 9.24% lower, and compared to the first three months of the previous year, they recorded a growth of 5.68% (table 5.2).

*Consolidated budget expenditures*<sup>43</sup> amounted to 644.37 million euros, and made up 8.14% of the estimated GDP. Realized consolidated expenditures were 69.85 million euros or 9.78% lower than planned, while on the annual level they recorded an increase of 61.26 million euros or 10.51%.

<sup>43</sup> In accordance with the Law Amending the Law on Budget and Fiscal Responsibility (adopted at the end of February 2023), expenditures from granted loans and borrowings are excluded from consolidated expenditures and are now kept as part of financing transactions.

Current budget expenditures amounted to 248.13 million euros and they were 12.32% lower in relation to the plan, which was mainly affected by the reduction in expenditures for material and services by 9.25 million euros or 36.27%. At the same time, current budget expenditures were higher by 6.21% on an annual basis, with the largest increase (16.23 million euros or 105.73%) recorded in interest, due to the maturing of liabilities based on issued bonds and concluded credit arrangements, and partly as a result of the increase in the cost of financing sources during the previous two years.

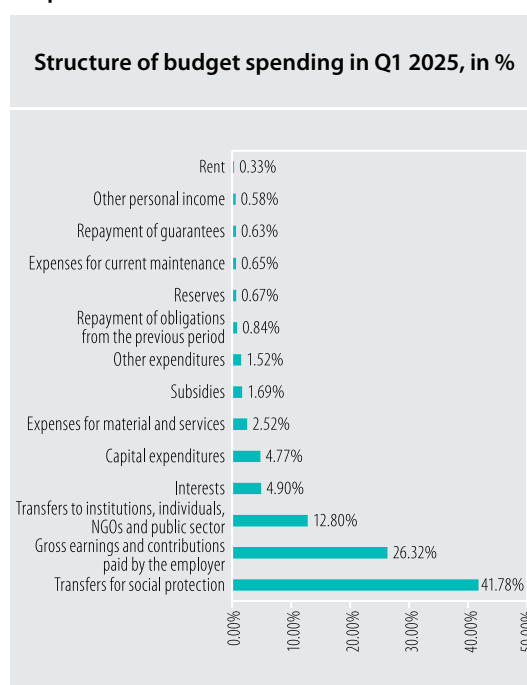
The budget spending structure i.e. consolidated expenditures (graph 5.3) shows that the highest share referred to transfers for social protection (41.78%), followed by gross earnings (26.32%), while transfers to institutions, individuals, NGOs and public sector accounted for 12.80%, interests (4.90%) and capital expenditures made up 4.77%. Other purposes accounted for 9.43% of the budget expenditures.

Debt repayment (to residents and non-residents, based on securities and loans), based on the principal, amounted to 78.72 million euros, which represents a drop of 22.59 million euros compared to the same period of the previous year. The main reason for this decrease is the fact that during 2024, liabilities based on domestic bonds issued in 2019<sup>44</sup> were settled.

In the first three months of 2025, there were no borrowings and loans from domestic sources, while borrowings and loans from foreign sources amounted to 16.45 million euros. Due to limited borrowing and regular settlement of matured credit liabilities, there was a significant decrease in the amount of borrowings and loans from foreign sources - by 678 million euros less compared to the same period of the previous year (table 5.1).

In the observed period, the budget of Montenegro recorded a cash *deficit*<sup>45</sup> of 63.96 million euros or 0.81% of GDP, which is 56.57 million euros higher than the budget cash deficit recorded in the same period last year.

Graph 5.3



Source: Ministry of Finance and CBCG calculations

<sup>44</sup> Domestic bonds GB24 were issued on 22 and 23 April 2019, with a maturity of five years, which means that the debt based on this issue was repaid in April 2024.

<sup>45</sup> Methodology for surplus/deficit calculation, OGM, 53/09. Cash surplus/deficit represents the difference between current revenues and consolidated expenditures.

Table 5.2

Expenditures of the Budget of Montenegro and State funds in the first quarter of 2025							
DESCRIPTION	Realised I-III 2024	Plan I-III 2025	Realised I-III 2025	Share in total expenditures	Share in GDP	Realised in relation to the plan	Realised in relation to I-III 2024
	In million euros	In million euros	In million euros	%	%	Index	Index
Current budget expenditure	233.62	282.98	248.13	34.13	3.13	87.68	106.21
Gross earnings and contributions paid by the employer	166.24	173.70	169.61	23.33	2.14	97.65	102.03
Other personal income	4.20	6.03	3.73	0.51	0.05	61.86	88.81
Expenses for material and services	17.85	25.50	16.25	2.24	0.21	63.73	91.04
Expenses for current maintenance	3.33	8.18	4.19	0.58	0.05	51.22	125.83
Interests	15.35	33.20	31.58	4.34	0.40	95.12	205.73
Rent	2.29	3.34	2.10	0.29	0.03	62.87	91.70
Subsidies	11.12	16.13	10.87	1.50	0.14	67.39	97.75
Other expenditures	13.24	16.90	9.80	1.35	0.12	57.99	74.02
Transfers for social protection	233.64	265.28	269.23	37.03	3.40	101.49	115.23
Transfers to institutions, individuals, NGOs and public sector	77.54	96.03	82.45	11.34	1.04	85.86	106.33
Capital expenditures	28.57	39.46	30.76	4.23	0.39	77.95	107.67
Reserves	0.75	18.84	4.31	0.59	0.05	22.88	574.67
Repayment of guarantees	2.30	4.10	4.06	0.56	0.05		176.52
Repayment of obligations from earlier years	6.69	7.53	5.43	0.75	0.07	72.11	81.17
<b>CONSOLIDATED EXPENDITURES</b>	<b>583.11</b>	<b>714.22</b>	<b>644.37</b>	<b>88.63</b>	<b>8.14</b>	<b>90.22</b>	<b>110.51</b>
Repayment of securities and loans to residents	28.93	8.12	8.11	1.12	0.10	99.88	28.03
Repayment of securities and loans to non-residents	72.38	73.04	70.61	9.71	0.89	96.67	97.55
Expenditures for the purchase of securities	1.41	3.43	1.04	0.14	0.01	30.32	73.76
Borrowings and loans	2.14	2.28	2.93	0.40	0.04	128.51	136.92
<b>TOTAL EXPENDITURES</b>	<b>687.97</b>	<b>801.09</b>	<b>727.06</b>	<b>100.00</b>	<b>9.18</b>	<b>90.76</b>	<b>105.68</b>
NOTE:							
Montenegrin GDP in million euros, estimation					7,918.50		

Source: Ministry of Finance

### Box 5.1 – Implementation of the measures foreseen in the Fiscal Strategy of Montenegro for the period 2024-2027

The Fiscal Strategy of Montenegro for the period 2024-2027, among other things, formulated tax reform measures in Montenegro, with the aim of increasing net earnings and pensions.

In order to implement this strategy, in September 2024 the Parliament of Montenegro adopted amendments to a set of laws in the area of fiscal policy: Law on Contributions for Social Insurance, Law on Value Added Tax, Law on Personal Income Tax, Law on Corporate Profit Tax, and Law on Excise Duties. The Law on the Write-Off of Interest on Due Tax Liabilities was also adopted. The implementation of this regulation began on 01 January 2025, except for the Law Amending the Law on Mandatory Social Security Contributions which is in effect as of 1 October 2024.

The changes defined by the Law on Amendments to the Law Amending the Law on Mandatory Social Security Contributions refer to the abolition of contributions for pension and disability insurance at the expense of the employer (5.5%), i.e. the reduction of contributions at the expense of the employee (from 15% to 10%). As a result of these changes, Pension and Disability Insurance Fund contributions in the fourth quarter of 2024 were reduced by 19.57% compared to the same period of 2023, and in the first quarter of the current year by 32.27% compared to the same quarter of 2024.

The Law Amending the Law on VAT brought the following news: the amendment includes the existing reduced VAT rates of 7%; abolition of the zero VAT rate on the supply of products and services for the construction and equipping of a five-star or more catering facility, an energy facility for the production of electricity with an installed capacity of more than 10 MW and capacity for the production of food products whose investment value exceeds 500,000 euros; abolition of exemption from payment of VAT when importing products, which refers to shipments of small value up to 75 euros; increasing the level of the flat fee received by the farmer (from 5% to 8%) and the introduction of the third rate of VAT (15%) for the taxation of catering services, hairdressing services, services for the use of sports facilities for non-profit purposes, services provided in marinas, solar panels, as well as for the taxation of books, mono-graphic and serial publications and copyrights in the fields of education, literature, art and science. Also, all on-line purchases are subject to VAT, whereby the VAT rate on most products is 21%, while on newspapers and textbooks it is 7%, and on books and publications, as already pointed out, it is 15%.

Pursuant to the Law Amending the Law on Personal Income Tax, the limit for flat-rate taxation was increased from 18,000 to 30,000 and taxation of income from games of chance was introduced for every payment of winnings and income from activities over the Internet and video games per annual declaration (tax rate of 15%).

The Law Amending the Law on Corporate Income Tax, among other issues, defines incentives for companies that reinvest money from realized profits in agricultural projects.

The new excise duty policy, in accordance with the Law on Amendments to the Law on Excise Duties, includes: the introduction of excise duties on still wines in the amount of 25 euros per hectolitre, an increase in the excise duties on gas oils used as a motor vehicle for industrial and commercial purposes - from 259 euros to 330 euros per 1,000 litres and the expansion of the scope of excise duty products to other non-alcoholic beverages with added sugar or other means for sweetening or flavouring.

The new Law on Write-Off of Interest on Due Tax Liabilities enables taxpayers, who have submitted all tax returns that are due by 31 December 2024 and who, within 60 days from the date of implementation of this Law, have settled the basic tax debt as a whole, to write off interest on tax claims - taxes, fees, contributions, duties and other monetary benefits determined by tax regulations, whose collection and control is carried out by the Tax Administration.

### 5.3. Local Self-Government

According to preliminary Ministry of Finance data, local self-government revenues amounted to 85.81 million euros or 1.08% of GDP in the first quarter of 2025, which is 5.91 million euros or 6.44% less than planned, and 7.37 million euros or 7.91% less than the revenue generated in the same period last year. A negative deviation in relation to the comparative period of the previous year was recorded by all income categories except taxes.

Table 5.3

Preliminary current revenues and consolidated expenditures of local self-governments in Montenegro in the first quarter of 2025, in million euros						
Type of receipts	Realised I-III 2024	Plan I-III 2025	Realized I-III 2025		Realised in relation to the plan for I - III 2025	Realised in relation to I-III 2024
	million euros	million euros	million euros	% of GDP	Index	Index
<b>CURRENT REVENUES</b>	<b>93.18</b>	<b>91.72</b>	<b>85.81</b>	<b>1.08</b>	<b>93.56</b>	<b>92.09</b>
Taxes	35.69	53.28	48.38	0.61	90.80	135.56
Duties	1.19	1.14	1.09	0.01	95.61	91.60
Fees	22.47	17.86	19.83	0.25	111.03	88.25
Other revenues	13.89	5.92	3.57	0.05	60.30	25.70
Donations	19.94	13.52	12.94	0.16	95.71	64.89
<b>CONSOLIDATED EXPENDITURES</b>	<b>75.29</b>	<b>93.11</b>	<b>102.98</b>	<b>1.30</b>	<b>110.60</b>	<b>136.78</b>
Current expenditures	23.41	29.72	32.95	0.42	110.87	140.75
Gross earnings and contributions paid by the employer	15.01	17.92	18.88	0.24	105.36	125.78
Other personal income	0.97	1.20	1.37	0.02	114.17	141.24
Expenses for material and services	3.87	4.83	5.65	0.07	116.98	145.99
Current maintenance	0.66	1.44	2.07	0.03	143.75	313.64
Interests	0.48	0.62	0.56	0.01	90.32	116.67
Rent	0.11	0.14	0.16	0.00	114.29	145.45
Subsidies	0.21	1.25	0.66	0.01	52.80	314.29
Other expenditures	2.10	2.32	3.60	0.05	155.17	171.43
Transfers for social protection	0.34	0.41	0.51	0.01	124.39	150.00
Transfers to institutions, individuals, NGOs and public sector	20.59	26.64	30.43	0.38	114.23	147.79
Capital expenditures	16.33	28.82	26.61	0.34	92.33	162.95
Borrowings and loans	0.00	0.00	0.02	0.00		
Reserves	0.53	0.86	1.01	0.01	117.44	190.57
Repayment of guarantees	0.00	0.00	0.00	0.00		
Repayment of liabilities from the previous period	14.09	6.66	11.45	0.14	171.92	81.26
<b>Surplus/Deficit</b>	<b>17.89</b>	<b>-1.39</b>	<b>-17.17</b>	<b>-0.22</b>	<b>1,235.25</b>	<b>-95.98</b>
Primary deficit	18.37	-0.77	-16.61	-0.21	2,157.14	-90.42
Transfers from the Budget of Montenegro	3.06	5.20	5.38	0.07	103.46	175.82
Debt repayment	2.45	3.11	3.26	0.04	104.82	133.06
Expenditures for the purchase of securities	0.00	0.00	0.00	0.00		
Borrowings and loans	0.18	0.00	0.00	0.00		0.00
Borrowings and loans from domestic sources	0.74	0.82	0.64	0.01	78.05	86.49
Borrowings and loans from foreign sources	0.55	0.80	0.02	0.00	2.50	3.64
Revenues from privatisation and sale of property	0.46	1.60	0.86	0.01	53.75	186.96
Receipts from loan repayment	0.05	0.01	0.11	0.00	1,100.00	220.00
Increase/decrease in deposits	-20.11	-3.93	13.43	0.17	-341.73	-66.78
NOTE: Montenegrin GDP in million euros, estimation				<b>7,918.50</b>		

Source: Ministry of Finance

Preliminary local self-government expenditures amounted to 102.98 million euros or 1.30% of GDP. Compared to the plan, they recorded an increase of 9.87 million euros or 10.60%, while compared to the same period last year they were higher by 27.69 million euros or 36.78%. The largest increase in expenditures compared to the same period of the previous year was recorded in capital expenditures (10.28 million euros or 62.95%) and transfers to institutions, individuals, non-government and public sectors (9.84 million euros or 47.79%).

Local self-governments recorded a deficit of 17.17 million euros, while liabilities from the previous period were repaid in the amount of 11.45 million euros (table 5.3).

## 5.4. State funds

According to data from the *Pension and Disability Insurance Fund of Montenegro*, during Q1 2025, total revenues amounted to 194.61 million euros, which is 12.86% more than in the first three months of the previous year. Current revenues of the Fund accounted for 38.63% of the total receipts and they decreased by 33.11%. Pension contributions (the main source of financing of the Pension and Disability Insurance Fund) accounted for 38.39% of total receipts and they recorded a decrease of 33.26%, due to the reduction of the tax burden (from 20.5% to 10%). At the same time, transfers from the budget, which accounted for 61.37% of total revenues, increased 98.89% amounting to 119.43 million euros.

The total expenditures of the PIO Fund amounted to 194.61 million euros, which is at the plan level, while at the annual level they recorded an increase of 12.86%. Expenditures for pensions, accounting for 99.63% of total expenditures, represented the most significant expenditure item, while 0.37% was administrative expenses. Pension expenditures were 13.09% higher than in the same period last year, due to regular adjustment of pensions, as well as an increase in the number of pensioners.

Based on the realized revenues and expenditures in the first three months of 2025, this Fund ran a balanced budget.

According to the *Health Insurance Fund of Montenegro*, total revenues amounted to 83.70 million euros or 7.13% more than in the corresponding period of 2024.

Total expenditures of the Health Insurance Fund amounted to 83.70 million euros; therefore, the Fund ran a balanced budget in Q1 2025. The main share in total expenditures referred to transfers to institutions, individuals, non-government and public sectors (45.05 million euros) and current expenditures transfers in the amount of 30.48 million euros. Some 8.16 million euros were spent on social protection transfers and 5,924 euros on capital expenditures.

Fund's outstanding liabilities as at 31 March 2025 amounted to 17.94 million euros, the largest part of which related to transfers to institutions, individuals and loans (10.57 million euros), while liabilities for social protection transfers liabilities amounted to 7.31 million euros, and the remaining part of outstanding liabilities (0.06 million euros) referred to liabilities for current expenditures.

According to *Employment Agency of Montenegro* data, total revenues amounted to 14.52 million euros in Q1 2025, or 12.24% more than in Q1 2024.

Expenditures of the Agency amounted to 14.52 million euros, and they were 3.56% lower than planned and 12.24% higher than in the same period of the last year. In total expenditures, 67.18% referred to

current expenditures, while 28.89% referred to social protection transfers, 3.63% were transfers to individuals, institutions, non-governmental and public sectors and 0.30% referred to other liabilities.

Outstanding liabilities of the Agency at the end of March amounted to 3.41 million euros, primarily due to liabilities for current expenditures.

Based on realized revenues and expenditures in Q1 2025, this Agency had a balanced budget.

In Q1 2025, the *Labour Fund*, being a typical budget beneficiary financed from general and earmarked revenues, recorded revenues in the amount of 203,324.70 euros and the equal amount of total expenditures, which is 12.13% below the plan and 193.55% more than in the corresponding period of the previous year.

Expenditure referring to social protection transfers represented the most important expenditure item (159,690.95 euros).

Fund's outstanding liabilities as at 31 March 2025 amounted to 30,697.05 euros, primarily due to liabilities based on social protection transfers.

Based on the realized revenues and expenditures in the first three months of 2025, this Fund ran a balanced budget.

The *Compensation Fund* recorded total revenues in the amount of 40,245.36 million euros, which is 19.54% less than planned and slightly less (by 0.27%) compared to the same period of the previous year.

Tax revenues amounted to 38,453.28 million euros, recording a 23.13% decrease relative to the plan and a year-on-year increase of 2.03%.

At the end of March 2025, outstanding liabilities of the Fund amounted to 1,792.08 euros, same as recorded surplus.

# **PUBLIC DEBT**

**06**



According to Ministry of Finance preliminary data, *gross public debt*<sup>46</sup> of Montenegro amounted to 4,51 billion euros or 56.93% of estimated GDP (table 6.1) at end-March 2025, which is a decline by 65.48 million euros or 1.43% compared to end-2024.

Public debt structure reveals that government debt accounted for 4.45 billion euros (98.72%), while the local self-government debt accounted for 57.55 million euros (1.28%).

When we excluded deposits of the Ministry of Finance along with 38.477 ounces of gold, the *net public debt* of Montenegro would amount to 4.21 billion euros at end-March 2025 or 53.15% of the estimated GDP. Compared to end-2024, net public debt increased by mere 0.47%.

**Table 6.1**

Structure of the public debt of Montenegro on quarterly level, in million euros						
	March 2024	June 2024	September 2024	December 2024	March 2025	Change in % (March 2025 December 2024)
Domestic debt	511.29	386.71	356.48	331.30	321.06	-3.09%
External debt	4,156.65	4,091.32	4,046.07	4,183.48	4,129.75	-1.28%
Government debt (gross)	<b>4,667.95</b>	<b>4,478.03</b>	<b>4,402.55</b>	<b>4,514.78</b>	<b>4,450.81</b>	<b>-1.42%</b>
Share of gross government debt in GDP (in%)	61.06%	58.58%	57.59%	59.06%	56.21%	
Local self-government debt	66.34	62.42	61.82	59.06	57.55	-2.56%
Public debt (gross)	<b>4,734.29</b>	<b>4,540.45</b>	<b>4,464.37</b>	<b>4,573.84</b>	<b>4,508.36</b>	<b>-1.43%</b>
Share of gross public debt in GDP (in%)	61.93%	59.39%	59.40%	59.83%	56.93%	
Deposits of Ministry of Finance, including 38,477 ounces of gold	774.24	633.56	617.94	385.36	300.06	22.14%
Government debt (net)	<b>3,893.71</b>	<b>3,844.47</b>	<b>3,784.61</b>	<b>4,129.42</b>	<b>4,150.75</b>	<b>0.52%</b>
Share of net government debt in GDP	50.93%	50.29%	49.51%	54.02%	52.42%	
Public debt (net)	3,960.05	3,906.89	3,846.43	4,188.48	4,208.30	0.47%
Share of net public debt in GDP	51.80%	51.11%	50.32%	54.79%	53.15%	
NOTE: Montenegro's GDP (for 2025 estimation)	<b>7,644.53</b>	<b>7,644.53</b>	<b>7,644.53</b>	<b>7,644.53</b>	<b>7,918.50</b>	

Source: Ministry of Finance

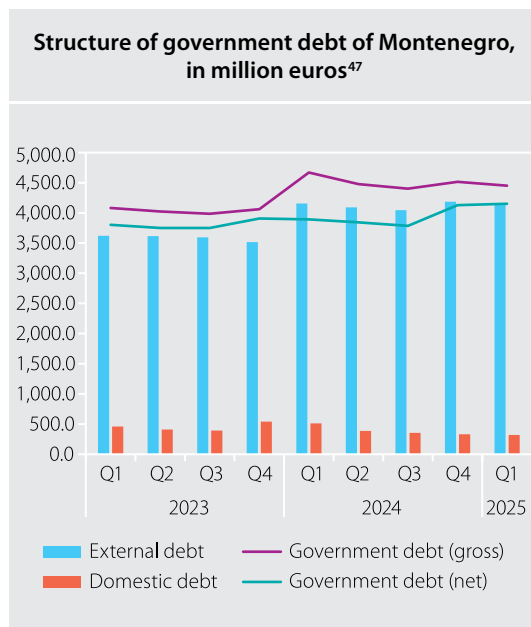
<sup>46</sup> The Ministry of Finance began publishing quarterly public debt data in July 2024, starting with the report titled "Report on State and Public Debt as of 30 June 2024."

## 6.1. Government debt

At end-March 2025, **gross government debt** of Montenegro amounted to 4,45 million euros or 56.21% of estimated GDP and it decreased by 1.42% compared to the end of the previous year due to now new borrowings and regular settling of due credit liabilities.

Out of the total amount of gross government debt, 4.13 billion euros or 92.79% referred to external debt, while the remaining 321.06 million euros or 7.21% referred to domestic debt.

Graph 6.1



Source: Ministry of Finance

When we excluded deposits of the Ministry of Finance along with 38.477 ounces of gold, the **net government debt** of Montenegro would amount to 4.15 billion euros at end-March 2025 or 52.42% of the estimated GDP. Compared to the end of the previous year, it increased slightly (by 0.52%), while government deposits decreased (by 85.30 million euros or 22.14%).

The currency structure of the government debt is still relatively favourable. Thus, debt in euros accounted for 99.44% of the total currency structure of the government debt, while 0.29% of the debt was in special drawing rights, and 0.27% in US dollars.

The interest rate structure is favourable considering that more than three quarters of the government debt (loans and bonds) are serviced at fixed interest rates (83.51% of the debt).

## 6.2. Domestic government debt

At end-March 2025, domestic debt amounted to 321.06 million euros (4.05% of GDP), being 10.24 million euros or 3.09% lower y-o-y. The main reason for the reduction in debt to residents in this period was the repayment of debts for loans to commercial banks (table 6.2).

In the structure of domestic debt as at end-March 2025, the main share was of loans payables to commercial banks (49.02%), followed by the share of liabilities rising from restitution (23.59%) and the share of issued domestic bonds (15.57%). The remaining 11.82% were liabilities to legal persons and companies (8.11%), liabilities for frozen foreign currency deposits (3.12%), and liabilities for accrued pensions (0.59%).

<sup>47</sup> Quarterly data represents the amount of debt at the end of the quarter.

Table 6.2

Structure and changes of the domestic debt of Montenegro at end-March of 2025 compared to the end-March and December 2024								
Domestic debt structure	Debt balance 31.03.2024	Debt balance 31.12.2024	Debt balance 31.03.2025	Change in relation to 31.03.2024	Change in relation to 31.12.2024	Change in relation to 31.03.2024	Change in relation to 31.12.2024	Share in domestic debt 31.03.2025
	1	2	3	4 (3-1)	5 (3-2)	6 (3/1)	7 (3/2)	8
	million euros						%	
Foreign currency deposits	10.11	10.01	10.00	-0.11	-0.01	-1.09	-0.10	3.12
Restitution	74.99	75.91	75.75	0.76	-0.16	1.01	-0.21	23.59
Loans with commercial banks	220.85	165.50	157.39	-63.46	-8.11	-28.73	-4.90	49.02
Accrued pensions	1.89	1.89	1.89	0.00	0.00	0.00	0.00	0.59
T-bills	30.00	0.00	0.00	-30.00	0.00			0.00
Domestic bonds	142.44	50.00	50.00	-92.44	0.00	-64.90	0.00	15.57
Legal persons and companies	31.01	27.99	26.03	-4.98	-1.96	-16.06	-7.00	8.11
TOTAL	511.29	331.30	321.06	-190.23	-10.24	-37.21	-3.09	100.00

Source: Ministry of Finance

### 6.3. External government debt

According to Ministry of Finance data, external debt of Montenegro amounted to 4,13 billion euros or 52.15% of GDP at end-March 2025, and compared to the end of the previous year, it recorded a decrease of 53.73 million euros or 1.28%, due to the repayment of the eighth instalment of the loan from EXIM Bank for constructing the highway “Bar-Boljare” and the repayment of the third instalment of loan from Deutsche Bank<sup>48</sup>.

In Q1 2025, there were the following withdrawals of funds arising from loan arrangements with international institutions, in the total amount of 15.74 million euros:

- Withdrawal of EIB funds in the amount of 10 million euros (for the project “Main Roads Rehabilitation Program”),
- Withdrawal of IBRD funds in the amount of 3.48 million euros (for the projects “Energy Sector De-carbonization Project”, “Revenue Administration Reform Project”, “Institutional Development and Strengthening of Agriculture in Montenegro - MIDAS 2”, “Energy Efficiency in Montenegro - MEEP 2” and “Integrated Development of the Sava and Drina River Corridors Using a Multi-Phase Program Approach”) and
- Withdrawal of EBRD funds in the amount of 2.26 million euros (for the project “Main Roads Rehabilitation Program” and “Improving Energy Efficiency in Education System”).

The structure of external debt shows that the highest share belongs to liabilities arising from issued Eurobonds of 59.03%, while the Chinese EXIM Bank stands as the largest individual creditor with a share in the external debt of 14.61% (table 6.3).

<sup>48</sup> The Ministry of Finance of Montenegro concluded a loan agreement with Deutsche Bank in March 2023 in the amount of 100 million euros, intended for financing budget obligations for that year. Two instalments (of 20 million euros each) remain to be repaid, in September of the current year and in March 2026.

Table 6.3

Structure of Montenegro's external debt as of 31 March 2025				
Creditor	Debt balance million euros	External debt	Share in	Share in government
		GDP	external debt	debt (4,450.81 million euros)
		%		
EUROBOND	2,437.76	30.79%	59.03%	54.77%
Chinese EXIM Bank <sup>49</sup>	603.41	7.62%	14.61%	13.56%
DPL 2024	180.00	2.27%	4.36%	4.04%
International Bank for Reconstruction and Development (IBRD)	173.37	2.19%	4.20%	3.90%
Syndicated loans – PBG 2	157.27	1.99%	3.81%	3.53%
European Investment Bank (EIB) <sup>50</sup>	114.85	1.45%	2.78%	2.58%
Syndicated loan - PBG <sup>51</sup>	104.29	1.32%	2.53%	2.34%
EBRD	66.34	0.84%	1.61%	1.49%
Council of Europe Development Bank	64.39	0.81%	1.56%	1.45%
European Commission <sup>52</sup>	60.00	0.76%	1.45%	1.35%
Kreditanstalt für Wiederaufbau – Germany (KfW) <sup>53</sup>	41.71	0.53%	1.01%	0.94%
Deutsche Bank	40.00	0.51%	0.97%	0.90%
Member countries of the Paris Club of Creditors	38.57	0.49%	0.93%	0.87%
BPI France / Soc. Generale - purchase of ships	17.90	0.23%	0.43%	0.40%
HAPOALIM - armoured vehicles	12.69	0.16%	0.31%	0.29%
Rapid Financing Instrument - IMF	9.29	0.12%	0.22%	0.21%
International Development Association (IDA)	3.62	0.05%	0.09%	0.08%
IFAD	2.51	0.03%	0.06%	0.06%
Loan from Poland <sup>54</sup>	1.36	0.02%	0.03%	0.03%
Loan from Spain for the construction of landfill	0.23	0.00%	0.01%	0.01%
Export Development Canada (EDC) <sup>55</sup>	0.19	0.00%	0.00%	0.00%
Loan from France - Natixis <sup>56</sup>	0.00	0.00%	0.00%	0.00%
<b>TOTAL</b>	<b>4,129.75</b>	<b>52.15%</b>	<b>100.00%</b>	<b>92.79%</b>

Source: Ministry of Finance

For individual contracted credit lines, there are funds that have not yet been withdrawn (table 6.4). Total amount of available and not-withdrawn funds amounted to 338.39 million euros, whereby the largest share refers to the funds of the BPI France / Soc. Generale (101.41 million euros), the German Reconstruction Credit Institute (Kreditanstalt für Wiederaufbau - KfW) (75.50 million euros) and the European Investment Bank (71.70 million euros).

<sup>49</sup> Loan for construction of part of the highway “Bar - Boljari”.

<sup>50</sup> EIB loans amounting to 47 million euros in total serviced by public enterprises (“Monteput”, “Airports of Montenegro” and “EPCG”) are not calculated in the external debt but treated as guarantees.

<sup>51</sup> Loan arrangement with the unions of banks (OTP, Credit Suisse, CKB and Societe Generale) with the World Bank guarantee with the value of 80 million euros for the needs of state budget financing.

<sup>52</sup> Loan for limiting the economic consequences of the COVID-19 pandemic under the Macro-Financial Support Program, totalling 60 million euros.

<sup>53</sup> Loans from KfW for the needs of water supplies are used by municipalities, but they are considered a part of external debt.

<sup>54</sup> Loan agreement signed with the Government of Poland for the needs of the Railway Infrastructure of Montenegro.

<sup>55</sup> Credit for the purchase of three helicopters.

<sup>56</sup> Merchandise loan - EPCG.

Table 6.4

Structure of external debt of Montenegro and non-withdrawn funds, in million euros		
Creditor	Debt balance at end-March 2025	Amount of non-withdrawn funds <sup>57</sup>
	million euros	
EUROBOND	2,437.76	
Chinese EXIM Bank	603.41	
DPL 2024	180.00	
International Bank for Reconstruction and Development (IBRD)	173.37	44.70
Syndicated loans – PBG 2	157.27	
European Investment Bank (EIB)	114.85	71.70
Syndicated loan - PBG	104.29	
EBRD	66.34	16.33
Council of Europe Development Bank	64.39	8.50
European Commission	60.00	
Kreditanstalt für Wiederaufbau – Germany (KfW)	41.71	75.50
Deutsche Bank	40.00	
Member countries of the Paris Club of Creditors	38.57	
BPI France / Soc. Generale	17.90	101.41
HAPOALIM - armoured vehicles	12.69	20.25
Rapid Financing Instrument - IMF	9.29	
International Development Association (IDA)	3.62	
IFAD	2.51	
Loan from Poland	1.36	
Loan from Spain for the construction of landfill	0.23	
Export Development Canada (EDC)	0.19	
Loan from France - Natixis	0.00	
<b>TOTAL</b>	<b>4,129.75</b>	<b>338.39</b>

Source: Ministry of Finance

## 6.4. Issued government guarantees

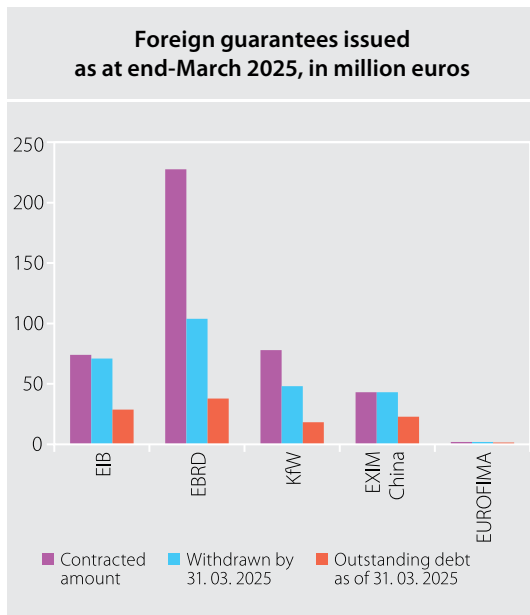
At the end-March 2025, government guarantees amounted to 125.64 million euros and they were 4.42% lower compared to the end of the previous year and accounted for 1.59% in the GDP structure, which represents a decrease of 0.13 pp. With the inclusion of issued government guarantees, Montenegro's public debt amounted to 4.58 billion euros or 57.79% of GDP.

In the structure of the total issued guarantees at end-March 2025, foreign guarantees amounted to 109.19 million euros (graph 6.2) and they were 5.26% lower compared to the end of the previous year and they accounted for 1.38% in the GDP structure, which represents a decrease of 0.13 pp compared to 2024 year-end. If foreign guarantees were to be included into the external debt, the external debt of Montenegro would amount to 53.53% of GDP. The mentioned amount of issued foreign guarantees refers only to withdrawn loan funds, while the debt balance presented in graph 6.2 refers to the unpaid

<sup>57</sup> The debt balance shows the amount of withdrawn and unpaid funds for an individual creditor based on all active credit lines. In contrast, the amount of not-withdrawn funds represents the part of the funds of all credit lines with certain creditors that have not been withdrawn and, therefore, is not part of the debt. The debt balance may be greater than non-withdrawn funds from a given creditor, depending on the credit arrangement phase and the remaining amount of non-withdrawn funds and that there was another credit line with the same creditor in the previous period whose funds had been fully withdrawn. Current liabilities are those presented as debt balance in the table.

part of the withdrawn loan funds for which foreign guarantees were issued. When taking into account the total contracted amounts of loans, for which guarantees have been agreed, foreign guarantees reached 424.52 million euros or 5.36% of GDP.

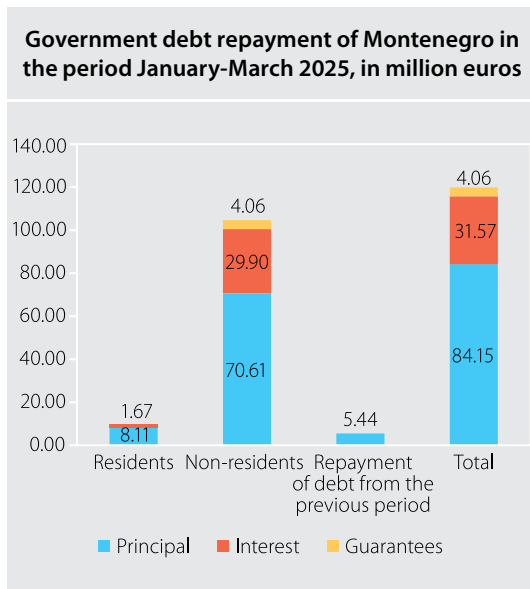
Graph 6.2



Source: Ministry of Finance

The total amount of domestic guarantees at the end of March 2025 amounted to 16.45 million euros (0.21% of GDP), while the internal debt together with guarantees amounted to 4.26% of GDP. In the total amount of domestic guarantees, 8.97 million euros referred to the guarantees issued to municipalities for loans with domestic commercial banks for implementing their recovery plans<sup>58</sup>. The remaining amount of domestic guarantees refers to a loan from Erste Bank and Prva Bank for the purpose of settling liabilities to the company “Strabag AG”, loan from Erste Bank for refinancing a loan from the Abu Dhabi Fund for Development and loan from Crnogorska komercijalna bank for the repair of rolling stock.

Graph 6.3



Source: Ministry of Finance

## 6.5. Government debt repayment

According to preliminary data from the Ministry of Finance, the total government debt<sup>59</sup> repayment in the first three months of 2025 amounted to 119.79 million euros or 1.51% of the estimated GDP. The main share of the total amount of debt repayment referred to the repayment of debt principal to residents and non-residents in the amount of 78.72 million euros and the repayment of interest arising from loan arrangements to residents and non-residents in the amount of 31.57 million euros (graph 6.3). The repayment of liabilities from the previous period amounted to 5.44 million euros, of which frozen foreign currency deposits accounted for 0.01 million euros. During the first half of 2021, government guarantees in the amount of 4.06 million euros were activated and paid, based on the credit arrangement of “Barska and Crnogorska plovidba” with the Chinese EXIM Bank.

<sup>58</sup> Total underwritten amount of guarantees for loans used by municipalities for the resolution plan implementation is 34.55 million euros.

<sup>59</sup> Total debt repayment includes the repayment of debt arising from principal, interest and guarantees repayment due in the reporting year, and the repayment of debt from previous years.

# EXTERNAL SECTOR

07



## 7.1. Balance of payments

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

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

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

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

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

Table 7.1

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

Source: CBCG

<sup>60</sup> Montenegro's balance of payments' data published in accordance with the new IMF methodology (IMF Balance of Payment and International Investment Position Manual, sixth edition - BMP 6), 2009.

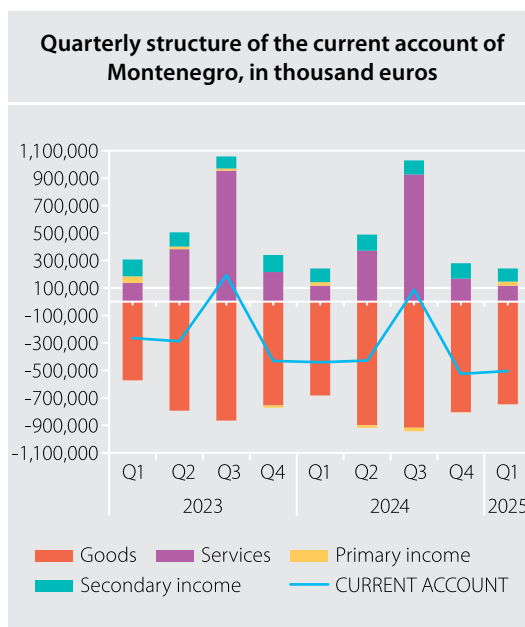
## 7.1.1. Current and capital accounts

In Q1 2025, a deficit on the current and capital account of Montenegro amounted to 509.30 million euros and this is the result of a deficit on the goods account, while a surplus was recorded on all other accounts (graph 7.1). The foreign trade deficit amounted to 749.66 million euros, while the deficit in the visible and invisible trade amounted to 634.32 million euros and increased by 68.80 million euros as a result of a larger deficit on the goods account (by 67.18 million euros) and decreased surplus on the services account (by 1.62 million euros). The degree of coverage of import by visible and invisible exports was 45.38%, which represents a decline of 2.42 pp year-over-year. Primary and secondary income accounts ran a surplus of 126.06 million euros, being approximately the same as during the reporting period.

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

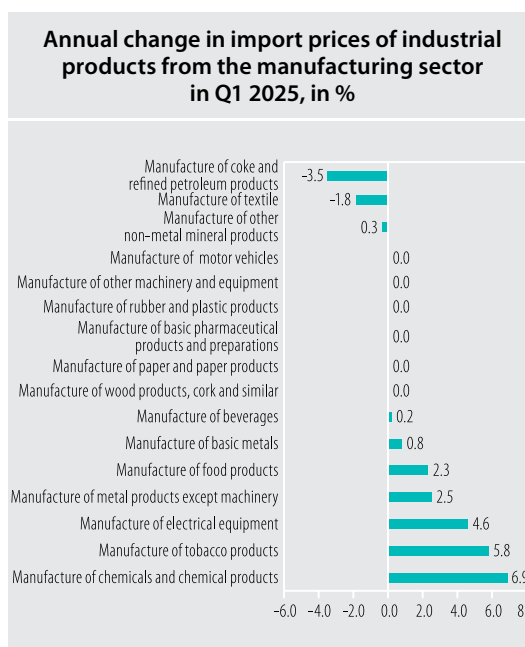
During the Q1 of 2025, according to preliminary MONSTAT data, there was an increase in the total international visible trade by 1,084.18 million euros or 6.83%, as a result of growth in imports by 70.04 million euros or 8.11% despite the insignificant decline in exports (by 0.68 million euros or 0.45%).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

Graph 7.1



Source: CBCG

Graph 7.2

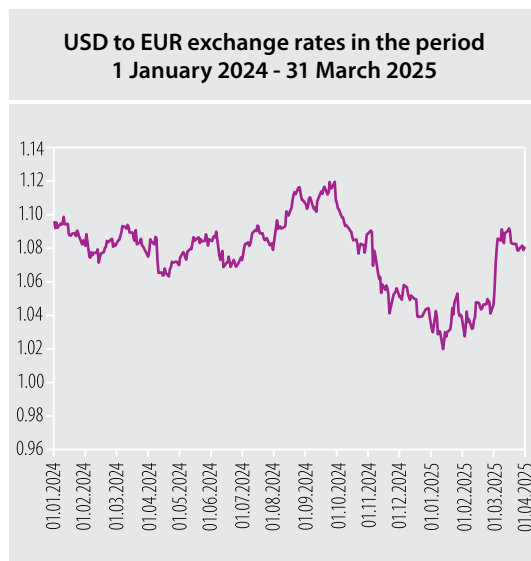


Source: MONSTAT, preliminary data

<sup>61</sup> **Methodological remarks:** Data on foreign trade and balance of payment of Montenegro are shown according to the special trade system. The CBCG performs adjustments of data received from MONSTAT for the purposes of compiling the balance of payments in line with the IMF methodology (*Balance of Payments and International Investment Position Manual, Sixth Edition*, IMF, 2009). Data on visible imports and exports are presented per f.o.b. The adjustments made by the CBCG are the reason for the difference in the data presented in table 7.1 and the data analysed in this chapter.

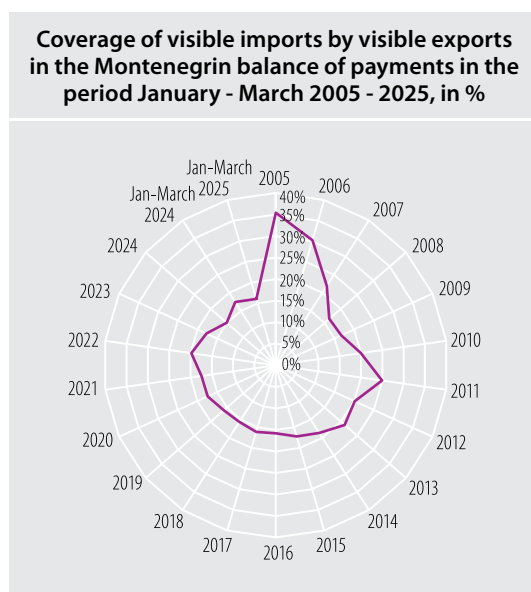
<sup>62</sup> Note: The categorisation of goods in graph 7.1 is not identical to the categorisation according to the SITC, which is used to present the import structure in the following section of this report.

Graph 7.3



Source: ECB

Graph 7.4



Source: MONSTAT and CBCG calculations

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

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

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

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

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

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

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

Table 7.2

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

Source: MONSTAT and CBCG calculations

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

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

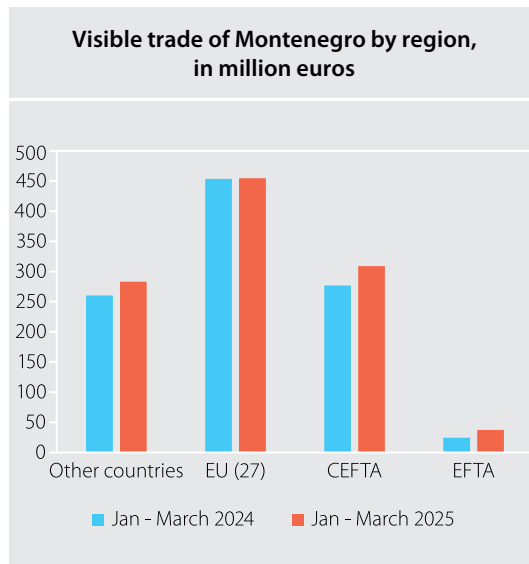
<sup>65</sup> The largest part of the exports in the category machinery and transport equipment referred to the temporary exports for the purpose of passive outward processing.

Table 7.3

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

Source: MONSTAT and CBCG calculations

Graph 7.5



Source: MONSTAT

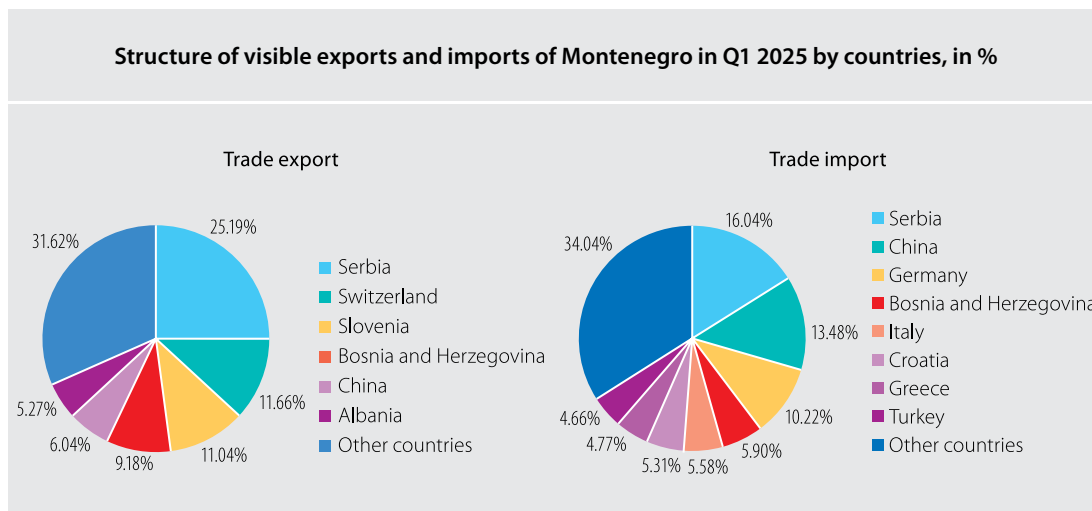
When we talk about exports by region, the main foreign trade partners of Montenegro in the reporting year were the CEFTA<sup>66</sup> countries, where 45.35% of goods were exported, followed by the EU countries with the share of 30.71%, (the largest part of which was electricity), as well as countries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

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

<sup>66</sup> The Central European Free Trade Agreement (CEFTA) is a trade agreement between Albania, Bosnia and Herzegovina, the Republic of North Macedonia, Moldova, Serbia, the Republic of Kosovo and Montenegro.

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

**Graph 7.6**



Source: MONSTAT and CBCG calculations

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

### 7.1.1.2. Services

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

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

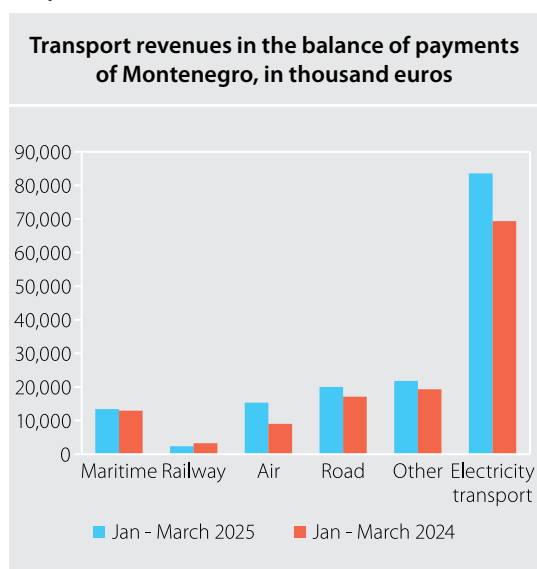
In Q1 2025, expenses from services amounted to 250.15 million euros, recording the year-on-year increase of 2.47%. In the structure of expenditures, the largest share (53.77%) was recorded by expenditures for transport in the amount of 134.51 million euros (mostly from electricity transmission), followed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

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

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

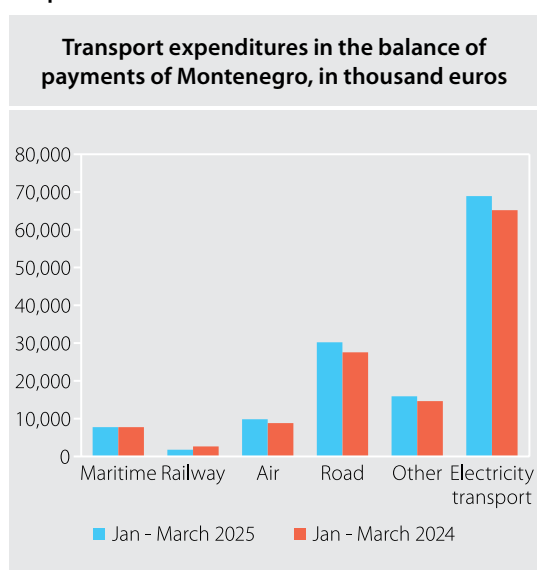
Total transport revenue amounted to 156.47 million euros or 19.51% more year-over-year (graph 7.7). In the structure of revenues from transport services, road transport accounted for 12.79%, air transport accounted for 9.79%, maritime transport made up 8.58%, railway transport made up 1.52%, while the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

**Graph 7.7**



Source: CBCG

**Graph 7.8**



Source: CBCG

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

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

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

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

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

### 7.1.1.3. Primary income

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

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

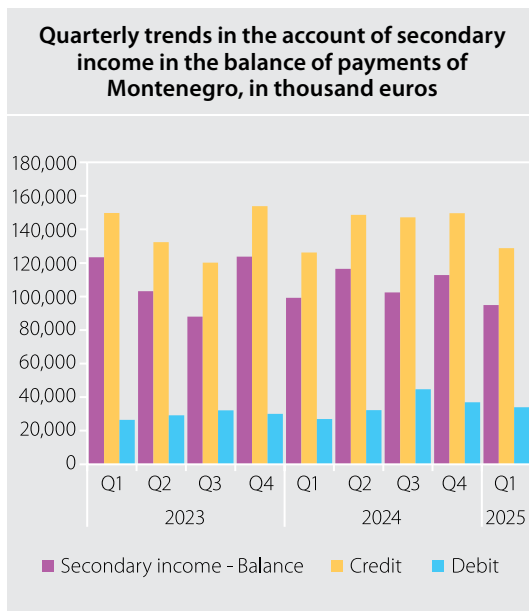
Expenditures for primary income reached 88.38 million euros (a 8.89% year-over-year increase), of which the highest portion of 63.25 million euros or 71.57% were expenditure for international investments and 25.13 million euros or 28.43% were expenditures for compensation to employees. Of total expenditures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

### 7.1.1.4. Secondary income

During the first quarter of 2024, the surplus in the secondary income account amounted to 94.91 million euros, which is by 4.35 million euros less compared year-on-year (graph 7.9). This trend mainly results from a reduced inflow and increased expenditures from government sector.

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

Graph 7.9



Source: CBCG

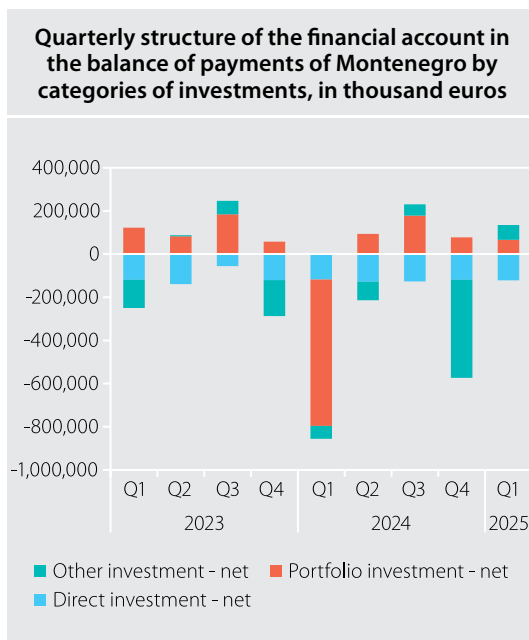
transfers amounted to 23.28 million euros (an increase of 7.22%). The largest part of other current transfers related to social benefits (pensions) and amounted to 13.67 million euros (an increase of 10.60%).

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

## 7.1.2. Financial Account

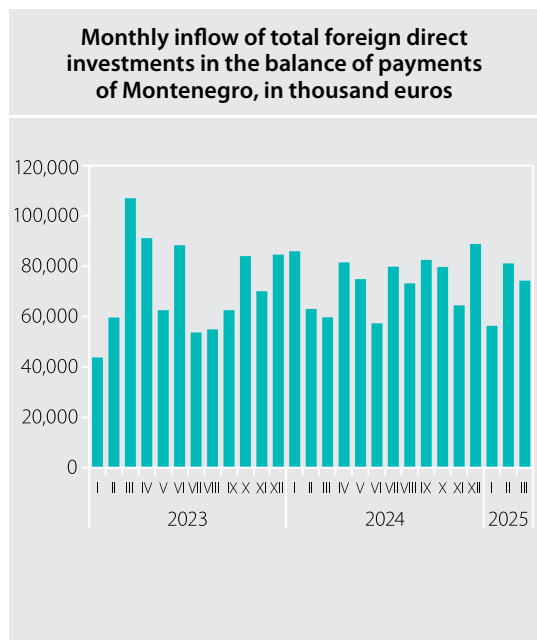
The financial account recorded a net inflow of capital of 502.64 million euros in Q1 2025, which is 64.62 million euros increase y-o-y. This account recorded an increase in net FDI inflow, a decrease in net inflows based on other investments, while portfolio investments account recorded a net outflow

Graph 7.10



Source: CBCG

Graph 7.11



Source: CBCG

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

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

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

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

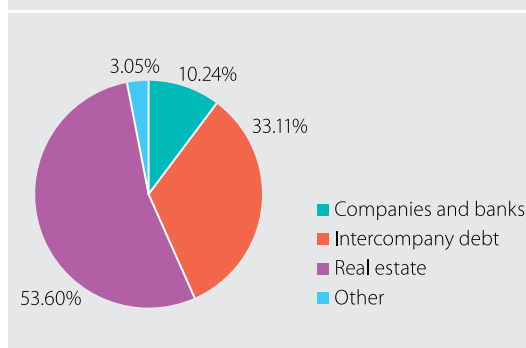
In Q1 2025, total FDI outflow amounted to 89.52 million euros and it decreased by 1.75 million euros or 1.92% more y-o-y. In the structure of total FDI outflow, outflow from residents' investments abroad amounted to 27.06 million euros, while the withdrawal of non-residents' funds invested in Montenegro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

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

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

**Graph 7.12**

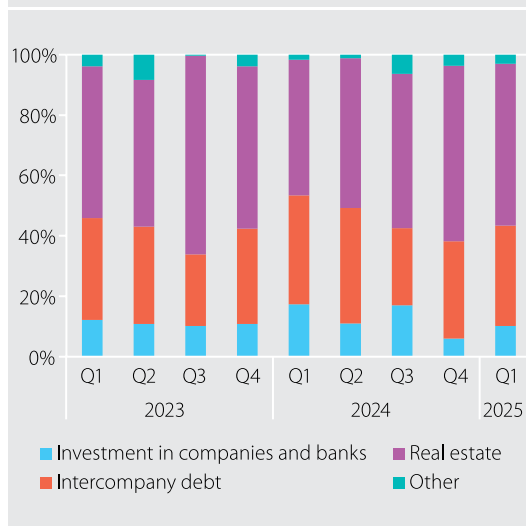
**Structure of the total FDI inflow in the balance of payments of Montenegro, in the January-March 2025, in %**



Source: CBCG

**Graph 7.13**

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



Source: CBCG

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

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

## 7.2. External debt

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

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

**Table 7.4**

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

Source: CBCG and Ministry of Finance

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

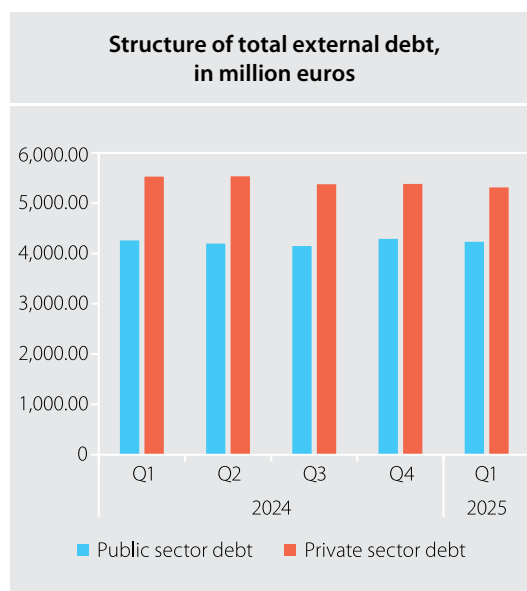
The external debt of the public sector amounted to 4,232.71 million euros (55.93 million euros or 1.30% less compared year-on-year), of which the general government category accounted for 4,129.75 million euros or 97.57%. In the structure of the general government category, the debt balance based on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

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

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

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

**Graph 7.14**



Source: CBCG and Ministry of Finance

## 7.3 International investment position

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

<sup>69</sup> The private sector includes: deposit institutions other than central banks (commercial banks); other sectors (all financial institutions except banks, non-financial corporations, non-profit institutions that provide services to households and households, including entrepreneurs and natural persons) and direct investments (intercompany borrowings). Data on private sector debt include estimates of the debt of natural persons, as well as estimates of the debt of companies that have not submitted reports, based on net flows from the balance of payments (ITRS).

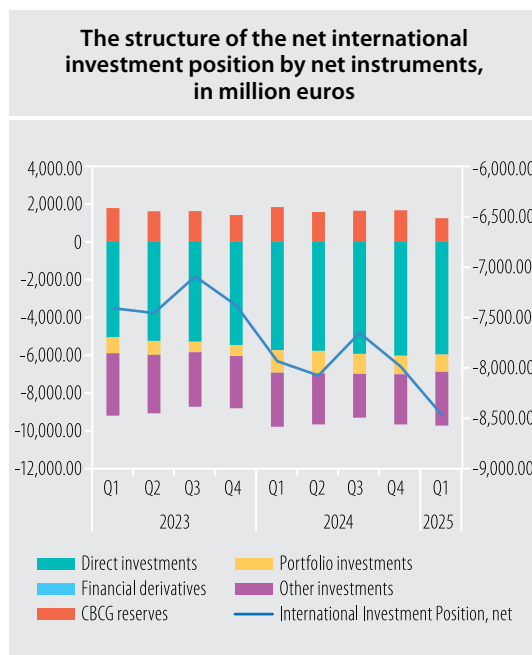
Table 7.5

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

Source: CBCG

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

Graph 7.15



Source: CBCG

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

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

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

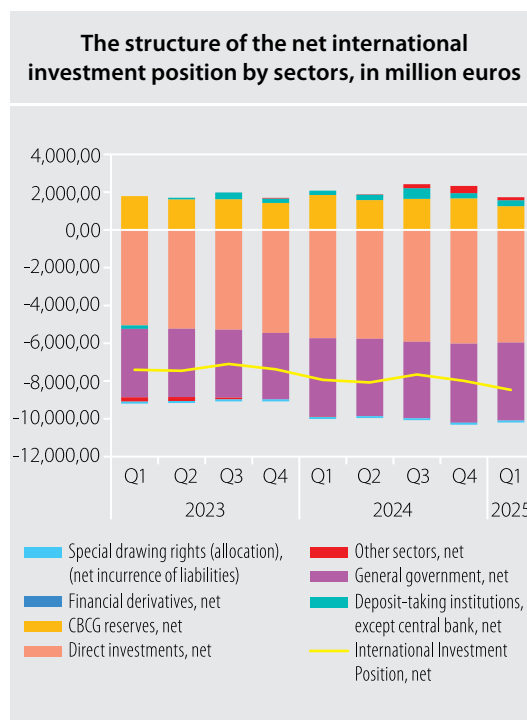
Analysis of the structure of Montenegro's total financial liabilities abroad shows that the largest share is direct investments, 45.73% (6,273.28 million euros), which represents a decrease of 51.97 million euros compared to the end of the previous year (graph 7.16). Equity investments recorded the largest share, 66.47% (4,169.96 million euros), while debt instruments accounted for 33.53% (2,103.32 million euros).

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

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

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

**Graph 7.16**



Source: CBCG



# REAL ESTATE MARKET ANALYSIS

08



## HEDONIC INDEX OF REAL ESTATES

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

The calculation of an average price per square meter for December 2024 was based on a sample of 58,296 apartments in the locations Podgorica 1, Podgorica 2, and Podgorica 3<sup>71</sup>. The survey included a random sample and 401 questionnaires were successfully completed.

The results of the December 2024 survey show that the average price of a square meter of real estate units in Podgorica amounted to 1,586.4 euros, which is an 0.2% increase compared to the June 2024 survey. Most of the sampled residential facilities were apartments (53.1%) and the remaining were houses (46.9%). The price of individual housing units ranged between 3,490 euros/m<sup>2</sup> at high-end city locations to 800 euros/m<sup>2</sup> at locations further away from the city centre.

The average price of an apartment square meter was the highest in the first zone and it amounted to 2,104.1 euros. In the second and third zones, the prices per square meter were lower and amounted to 1,835.4 euros and 1,549.4 euros, respectively. The average price per square meter of a house in the first zone was 1,675 euros, while in the second and third zones it was 1,295 and 1,201.6 euros, respectively.

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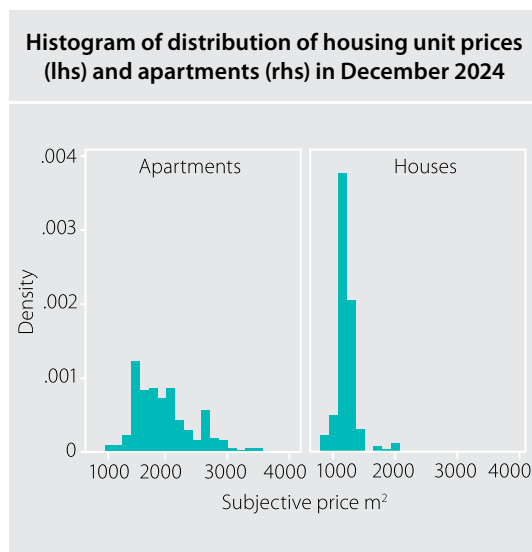
<sup>71</sup> In the previous survey, a reorganization of the zones into which the city is divided was carried out so that now Zone 1 includes the urban core and more expensive locations, which roughly comprise the city center, Gorica C, Preko Morače, Blok 5, part of Kruševac, City Kvart, Central Point, and Master Kvart. Zone 2 includes Blok 6, Blok 9, part of Stari Aerodrom, Stara Varoš, Drač, part of Zabjelo, Ljubović, part of Kruševac, and part of Zagorič up to Nikola Tesla Street, while all other areas fall under Zone 3.

Table 8.1

Summary statistics of average values; standard deviation; minimum and maximum prices by housing category in Podgorica in December 2024, in euros					
Variable	No. Observations (valid)	Medium value	Standard deviation	Minimum price	Maximum price
Average housing price per square meter - apartment	211	1,912.3	486.7	950	3,488.4
Average housing price per square meter - house	186	1,216.8	163.9	800	2,000

Source: CBCG calculations

Graph 8.1



Source: CBCG calculations

Empirical results of using the model<sup>72</sup> of average housing unit price indicate that, measured by the level of statistical significance, the price of a housing unit is affected by the location, type of housing (apartment or house), number of rooms, and a garage ownership. By averaging the results and analysing other factors we come to the conclusion that a square meter of an apartment is more expensive than a square meter of a house and that housing units in the first and second zones in Podgorica are more expensive. Owning a parking space adds to the total price of an apartment. In this iteration, characteristics such as the number of balconies, type of heating, possession of a telephone line and internet, heating system, floor level, and the presence of an elevator did not have a significant impact on the price per square meter.

<sup>72</sup> The available data provided for the preparation of an econometric real estate model which assesses the effect of qualitative characteristics of a housing unit on the price of that unit. Graph 8.1 shows the price range of housing units, and this price is also the dependant variable in the model. In order to achieve a normal distribution, the value of standard errors necessary when applying the econometric method of the ordinary least square (OLS) and the interpretation of results in the form of percentage changes, prices per square meter are logarithmic. The independent variables used were qualitative characteristics related to the type of a residential unit (apartment or house), square metres, age, location, type of heating, the number of balconies, the number of rooms, available internet connection, parking space, and elevator. Also, in order to fulfil the correct functional form, properties of extremely high/low values of real estate were excluded, as well as poor quality data (e.g. detected errors in entering the qualitative characteristics of a residential unit). This resulted in a reduced sample for the modelling purpose to 397 observations.

# **INTERNATIONAL ECONOMY**

**09**



## 9.1. Global economic and financial trends

According to the IMF's April data, the global economy growth rate in 2024 was 3.3%. This rate was slightly lower than the previous year, mainly due to economic performance in the second half of the year falling short of expectations in the largest economies of Europe and Asia. Compared to the October report, the IMF slightly revised down its growth forecast for 2025 (by 0.4 pp) with the current projection standing at 2.8% (table 9.1).

**Table 9.1**

Overview of selected global indicators, in %						
Indicator	2023	2024 estimate	Forecasts		Difference relative to October 2024 projections, percentage points	
			2025	2026	2025	2026
<b>Real GDP growth</b>						
World	3.5	3.3	2.8	3.0	-0.4	-0.3
Advanced economies	1.7	1.8	1.4	1.5	-0.4	-0.3
USA	2.9	2.8	1.8	1.7	-0.4	-0.3
Euro area	0.4	0.9	0.8	1.2	-0.4	-0.3
Japan	1.5	0.1	0.6	0.6	-0.5	-0.2
Emerging market and developing economies	4.7	4.3	3.7	3.9	-0.5	-0.3
China	5.4	5.0	4.0	4.0	-0.5	-0.1
India	9.2	6.5	6.2	6.3	-0.3	-0.2
Russia	4.1	4.1	1.5	0.9	0.2	-0.3
Emerging and developing European economies	3.6	3.4	2.1	2.1	-0.1	-0.4
Volume of global trade (goods and services)	1.0	3.8	1.7	2.5	-1.7	-0.9
<b>Prices of stock exchange goods, average rate</b>						
Oil	-16.4	-1.8	-15.5	-6.8	-5.1	-3.2
Non-energy producing products	-5.7	3.7	4.4	0.2	4.6	-0.6
<b>Consumer prices, average rate</b>						
Advanced economies	4.6	2.6	2.5	2.2	0.5	0.2
Emerging market and developing economies	8.0	7.7	5.5	4.6	-0.4	-0.1

Source: IMF, April 2025

For 2025, the IMF forecasted growth for advanced economies at 1.4%. Lower growth is expected in the United States, with a projected rate of 1.8%. On the other hand, the growth estimate for the euro area (0.8%) is roughly in line with the previous year's economic activity projections. Emerging market and developing economies globally are expected to grow by 3.7% according to IMF forecasts. China's

economic growth forecast was revised down by 0.5 percentage points to 4%. For the group of emerging and developing Europe, which includes Montenegro, the projected growth rate remained almost unchanged at 2.1% compared to the October forecast, and is 1.3 pp lower than the previous year's growth rate.

In Q1 2025, the economic activity in the euro area recorded the growth of 0.6%. Germany, France, Italy, and Spain, as the largest euro area economies, recorded the following rates of growth: 0.3%, 0.1%, 0.3%, and 0.6%, respectively. Comparing the first quarter of 2025 with the same period in 2024, economic activity in the euro area increased by 1.5%.

The U.S. economy recorded a contraction in Q1 2025 compared to the previous quarter, with GDP declining by 0.5%<sup>73</sup>. During the same period, China's economy grew by 1.2%.

The ECB reduced its key interest rate (main overnight rate) twice in Q1 2025 by 0.25 percentage points each time, bringing it to 2.5%. Additionally, in April and June (after the reporting period), the rate was further lowered by 0.25 percentage points to 2%. The ECB deemed it appropriate to ease monetary policy based on updated assessments of inflation outlook and dynamics, as well as the effectiveness of monetary policy transmission. Most core inflation indicators suggest that inflation will remain stable around the medium-term target of 2%. One of the reasons is the reduced concern that increased uncertainty and volatile market reactions to trade tensions could tighten financing conditions.

In contrast, the Fed kept its key interest rate unchanged in Q1 2025 at 4.25–4.50%. Current market expectations (CME FedWatch) indicate that there will be no further rate cuts by the Fed until the last quarter of 2025.

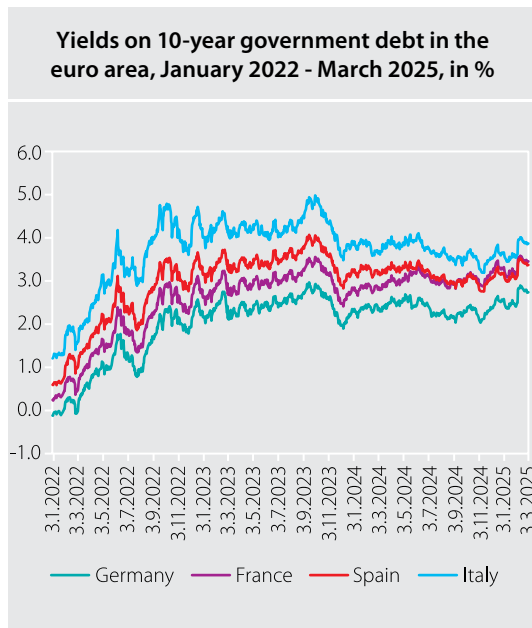
Yields on ten-year government bonds in the four largest euro area economies did not experience significant fluctuations during Q1 2025 (graph 9.1). Yields on German, French, Spanish and Italian ten-year government debt rose compared to end-2024 and averaged at 2.58%, 3.32%, 3.21%, and 3.69%, respectively. Spreads, i.e., the differences between French, Spanish, and Italian ten-year bond yields and the equivalent German bond yield, were 0.74 pp, 0.63 pp, and 1.11 pp (graph 9.1). Similarly, the yield on equivalent U.S. debt was higher in Q1, reaching 4.46%.

After the German government's announcement of a 500 billion euro spending program for infrastructure and defence projects, German bond yields rose slightly. Since German debt serves as a reference point for the entire euro area, this increase also affected other countries, raising their borrowing costs. Additionally, inflationary risks in Europe and globally contributed to this rise.

Short-term market reference interest rates continued following the suit of the reference interest rates of central banks (graph 9.2). During the first quarter of 2025, the three-month *EURIBOR* decreased by 0.38 pp, reaching 2.34% at the end of March. The *€STR* was 0.49 pp lower than at the end of 2024, at 2.42%. The *SOFR* stood at 4.41% at the end of Q1, a decline of 0.08 pp from the previous quarter.

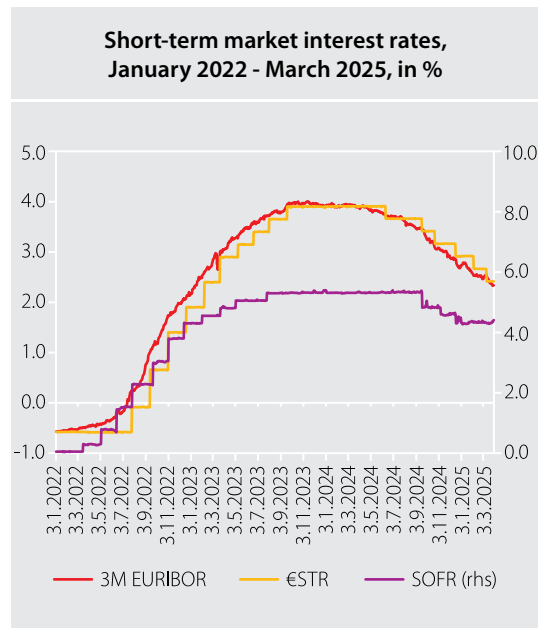
<sup>73</sup> The rate at the annual level - the so-called annualized growth rate.

**Graph 9.1**



Source: Bloomberg, CBCG calculations

**Graph 9.2**



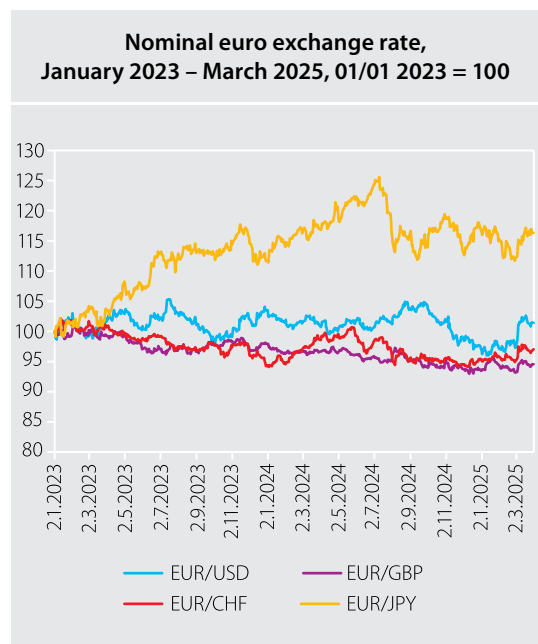
Source: Bloomberg, CBCG calculations

In nominal terms, the euro appreciated against the US dollar (4.46%), the Swiss franc (1.73%) and the Sterling pound (1.18%), yet depreciated against the Japanese Yen (-0.35%) (graph 9.3). During the reporting period, the euro moved on average at the level of 1.053 US dollars per euro, and at the end of March the exchange rate was 1.082 US dollars per euro. The euro's strengthening against the US dollar in Q1 was largely driven by stronger economic growth in the euro area, a more favourable ECB monetary policy, higher capital inflows, and greater political and economic stability in Europe relative to rising uncertainties in the United States.

At the end of the first quarter of this year, the prices of stock commodities were 0.46% higher than at the end of the previous year. Energy prices as a whole decreased by 2.65%. This included oil (-3.23%), natural gas (-0.39%), and coal (-21.88%). Non-energy commodity prices increased by 2.87%, with metal prices going up by 8.04%, while food and beverage prices dropped by 2.31%.

In Q1 2025, oil prices showed a moderately volatile trend. Prices rose at the start of the quarter, peaking in mid-January, followed by a gradual decline until March, when prices began rising again and maintained this trend until the end of the quarter. Price changes were influenced by seasonal demand, expectations regarding the OPEC+ production policy, and signals of economic recovery in key consuming regions.

**Graph 9.3**



Source: Bloomberg, CBCG calculations

According to the VIX<sup>74</sup> index, financial market volatility remained moderate but slightly higher than in the previous quarter, mainly due to increased volatility in early March. The average value in the first quarter was 18.52 points, ranging from 14.77 to 27.86 points. In April, after the reporting period, the VIX index reached its highest level since the start of the COVID-19 pandemic, driven by protectionist policies and corresponding countermeasures marking the new U.S. administration's early actions. However, markets stabilized somewhat following the postponement of tariff implementations and some agreements on their reductions.

Gold prices, a specific indicator of stress and risk in the global economy and financial markets, rose in Q1 2025, with minor fluctuations, reaching new record levels. One of the main reasons for the price increase was geopolitical uncertainty, which, together with tensions in global trade and the weakening of the US dollar, contributed to higher demand for safe-haven assets. At the quarter-end, the price of gold was around 3,120 USD/oz.

Global stock indices mostly rose during Q1 so the London *FTSE 100* increased by 5.01%, the Frankfurt *DAX* by 11.32%, and the Pan-European *STOXX* index rose 11.32%. In contrast, the New York *SPX* ended Q1 2025 down 4.59%.

## 9.2. Euro area

Economic activity in the euro area recorded the growth of 1.5% in the first quarter of 2025. According to the European Commission's<sup>75</sup> forecast, the GDP growth rate will be 0.9% in 2025 and 1.4% in 2026. The four largest economies—Germany, France, Italy, and Spain—recorded growths of 0%, 0.6%, 0.7%, and 2.8%, respectively. The highest growth in economic activity was recorded in Ireland (21.1%), Croatia (3.1%), Cyprus (3%), and Lithuania (3%).

Industrial production in the euro area rose 2%, construction activity by 0.4%, and retail trade turnover by 0.7% compared to the previous quarter.

The unemployment rate stood at 6.4% as at end-Q1 2025. In the euro area, the unemployment rate was the lowest in Malta (2.7%) and Germany (3.6%), and the Netherlands (3.9%), and the highest in Spain (10.9%), Greece (9.7%) and Finland (9.2%).

The declining inflation trend from 2024 continued into 2025, dropping down to 2.2% at end-Q1 2025. Observed by the country, inflation was the highest in Estonia (4.3%), Croatia (4.3%), and Slovakia (4.2%), and the lowest in France (0.9%), Luxembourg (1.5%), Ireland (1.8%), and Finland (1.8%). According to the main components of the Harmonized Index of Consumer Prices (HIPC), the prices of food, alcohol and tobacco recorded a growth rate of 2.9%, energy generating products -1%, industrial products (non-energy commodities) 0.6%, whilst the prices of services increased 3.5%; their contributions to the total inflation rate amounted to 0.57 pp, -0.10 pp, 0.16 pp, and 1.56 pp, respectively.

<sup>74</sup> A measure of the expected volatility of the US stock prices.

<sup>75</sup> *European Commission, Spring 2025, Economic Forecast.*

Fiscal deficit amounted to 3.2%<sup>76</sup> of GDP in Q4 2024. Cyprus, Ireland, and Greece recorded budget surpluses of 3.4%, 1.3%, and 2.2% of GDP, respectively. The largest deficits were recorded in Malta (10.7%), Slovakia (8.8%) and France (6.1%). The total budget revenues of the euro area in 2024 were reduced by 0.5 pp to 46.5% of GDP, while budget expenditure increased by 0.1 pp, to 49.6% of GDP.

The euro area public debt at the end of Q4 2024 increased to 87.5% of GDP (13.26 trillion euros), compared to 87.4% at the end of Q4 2023. Greece ran the highest public debt of 153.6%, followed by Italy with 135.3%, and France with 113.1% of GDP. Besides the aforementioned countries, the public debts of Spain and Belgium exceeded 100% of GDP. On the other hand, the lowest levels of public debt were recorded by Estonia and Luxembourg of 23.6% and 26.3% of GDP, respectively. The public debts of Latvia, Lithuania, Malta, the Netherlands, Ireland, Croatia, and Slovakia were also below the Maastricht criterion of 60% of GDP. Looking at the financial instruments, the main share of the debt or as much as 84% referred to debt securities, 13.5% referred to loans, while 2.5% were cash and deposits.

**Table 9.2**

ECB's macroeconomic projections for the euro area, 2024–2027, in %				
	2024	2025	2026	2027
Real GDP	0.8	0.9	1.1	1.3
Private spending	1.0	1.2	1.2	1.2
Government spending	2.6	1.6	1.2	1.0
Gross fixed capital formation	-1.8	0.7	1.7	1.9
Exports	1.1	0.5	1.6	2.6
Imports	0.2	1.9	2.0	2.7
Employment	1.0	0.6	0.5	0.6
Unemployment rate, % of labour force	6.4	6.3	6.3	6.0
HICP	2.4	2.0	1.6	2.0
HICP, excluding energy	2.9	2.5	2.0	2.0
HICP, excluding energy and food	2.8	2.4	1.9	1.9
HICP, excluding energy, food, and changes in indirect taxes	2.8	2.4	1.9	1.9
Unit labour costs	4.7	2.8	2.1	2.0
Earnings per employee	4.5	3.2	2.8	2.8
Labour productivity	-0.1	0.4	0.7	0.8
Government budget balance, % of GDP	-3.1	-3.1	-3.4	-3.5
Structural government budget balance, % of GDP	-3.1	-3.1	-3.4	-3.5
Public debt, % of GDP	87.5	88.4	89.6	90.3
Current account balance, % of GDP	2.7	2.7	2.6	2.6

Source: ECB, June 2025

### 9.3. Region

According to the estimate of the Statistical Office of the Republic of Serbia, the economic activity of that country in the first quarter of 2025 recorded a growth of 2%. Growth was achieved in the sector of industry, water supply and waste water management (2.1%) and in the information and communi-

<sup>76</sup> The latest available data, adjusted for seasonal and calendar effects.

cations sector (8%). Observed by GDP aggregates as per the expenditure approach of calculation, the final household spending increased by 1.7%, and visible and invisible imports rose 7.5% and 11.5%, respectively, while gross fixed capital formation dropped by 1%.

The annual inflation amounted to 4.4% in March this year. The reference interest rate remained unchanged since September 2024, standing at 5.75% at the end of the first quarter of 2025.

The unemployment rate was 9.1%, which is 0.3 percentage points lower compared to the same period of the previous year. The employment rate was 51.4% or 0.5 pp higher than in the comparative period of the previous year. The average net salary was nominally higher by 11.2% and in real terms by 6.4% year-over-year.

The current account recorded a deficit and amounted to 3.4% of GDP. By the end of this period, the fiscal deficit stood at 1.2% of GDP, while the share of central government debt in GDP was 44.3%. In October 2024, the rating agency *Standard & Poor's* upgraded Serbia's credit rating to investment grade (BBB-) with a stable outlook.

According to the data of the Agency for Statistics of **Bosnia and Herzegovina**, the economy of that country achieved a growth of 1.7% in the reporting quarter. Observed per the components of GDP using the production method, a significant year-on-year real growth was recorded in the hotel and catering industry of 11.8%. Based on GDP components using the expenditure approach, growth was recorded across all categories: household consumption (1.7%), government spending (1.6%), gross fixed capital formation (5.5%), exports and imports of goods and exports and imports of services (0.4% and 1.6%, respectively).

At end-Q1 2025, the annual inflation rate amounted to 3.2%. The unemployment rate in 2024 was 12.6%, and the employment rate reached 42.9%.

The average monthly net salary recorded a nominal growth of 13.1% in the first quarter of 2025 compared to the same period of the previous year. The share of public debt in GDP amounted to 25.7% *at the end of the fourth quarter of 2024*.

**Croatian** economy recorded a real annual growth of 2.9% in the first quarter of 2025. Observed according to GDP components using the production method, growth in the first quarter of 2025 was driven by the growth of construction of 7.1%. Based on the GDP components using the expenditure approach, growth was recorded in household consumption and gross fixed capital formation of 2.8% and 4.5%, respectively.

The annual inflation during Q1 2025 continued to trend downwards, dropping down to 3.2% in March. The unemployment rate amounted to 5.1% in March this year, being 1 pp lower year-on-year. The average net earnings recorded a nominal growth of 11.6% in the period January - March 2025 and a real growth of 7.7% year-over-year.

According to data from the Croatian National Bank, the general government debt amounted to 57.6% of GDP at the end of 2024, down by 4.2 percentage points compared to 2023.

Table 9.3 shows the key economic indicators by country in the region for the period from 2024 to 2026, presented in the relevant documents of Eurostat (for 2024) and the IMF (2025 and 2026 forecasts).

Table 9.3

Key economic indicators by countries in the region for the period 2024–2026 <sup>77</sup>								
		Albania	Bosnia and Herzegovina	Montenegro	Croatia	Kosovo	North Macedonia	Serbia
Real GDP-growth, %	2024	4.0	2.5	3.8	4.4	3.0	2.8	3.9
	2025	3.8	2.8	3.1	4.0	3.2	3.2	3.5
	2026	3.5	3.0	2.7	4.0	3.2	3.2	4.2
Inflation, %	2024	2.1	2.9	4.5	1.0	2.1	4.3	4.3
	2025	2.7	1.8	3.0	2.4	5.2	2.3	3.5
	2026	2.9	1.6	2.2	2.0	1.3	2.0	3.3
Unemployment, %	2024	8.8	13.2	5.5	---	---	13.0	8.6
	2025	8.8	13.2	5.3	---	---	12.8	8.5
	2026	8.8	13.2	5.3	---	---	12.7	8.4
General government budget balance, % of GDP	2024	-0.5	-1.6	-2.1	-0.3	-2.8	-4.4	-1.7
	2025	-2.5	-2.2	-2.4	-2.1	-3.4	-5.0	-2.8
	2026	-2.6	-2.4	-1.9	-2.0	-3.3	-4.5	-2.8
Current account, % of GDP	2024	-2.4	-3.6	-1.2	-9.0	-17.4	-2.3	-6.3
	2025	-3.1	-3.8	-0.7	-8.7	-15.2	-2.2	-5.8
	2026	-3.1	-3.8	-0.6	-8.0	-14.0	-2.1	-5.7
GDP per capita, EU27_2020 = 100	2024	37	35	54	77	---	42	51
Credit rating, S&P	rating	BB	B+	B+	A-	no rating	BB-	BBB-
	Outlook	Stable	Stable	Stable	Positive		Stable	Stable

Source: IMF (WEO Database, April 2025); Eurostat; tradingeconomics.com

<sup>77</sup> For indicators 1-5, the data source is the IMF. Eurostat is the source of data for the indicator 6. The source of data for the indicator 7 is *tradingeconomics.com*, where the data refer to the credit ratings assigned by Standard and Poor's at end-March 2025.



# IMPORTANT EVENTS

**10**



## IMPORTANT EVENTS IN THE FIRST QUARTER OF 2025

### JANUARY

The specific excise duty on cigarettes was increased from 52 euros to 53.5 euros per one thousand cigarettes, while the proportional excise duty remained unchanged and stood at 24.5% of the retail price. At the same time, pursuant to the latest amendments to the Law on Excise Taxes, an excise duty of 25 euros per hectolitre of still wine was introduced.

In line with the entry into force of the Law Amending the Law on Value Added Tax, as of 1 January this year, the provision exempting shipments valued up to 75 euros from taxation ceased to apply. Under the new provisions, all online purchases are subject to value added tax (VAT), with the VAT rate set at 21% for most products, 7% for newspapers and textbooks, and 15% for books and publications. This measure, envisaged by Montenegro's Fiscal Strategy for the period 2024–2027, aims to compensate for the budget revenue loss resulting from the reduction of pension insurance contributions following the increase in the minimum wage.

Representatives of the Central Bank of Montenegro and the Banca d'Italia signed a Letter of Intent for the implementation of the TIPS Clone Project, which is expected to enable real-time instant payments in Montenegro.

The Government of Montenegro fulfilled the final requirement for the operational start of using the available European Union funds from the Growth Plan for the Western Balkans, paving the way for the disbursement of planned tranches.

### FEBRUARY

The Parliament of Montenegro adopted the Budget Law for 2025, projected at 4 billion euros, as well as the Decision on Borrowing authorizing the borrowing of up to 1.4 billion euros.

The Parliament also adopted the Law on Consumer Credits, which abolishes fees for loan processing and early repayment of housing loans. In addition, the Law introduces a maximum allowable effective interest rate on consumer loans, in line with the initiative of the Central Bank of Montenegro, ensuring consumer protection against excessively high interest rates—particularly for the most vulnerable categories of borrowers who have typically been exposed to extremely high borrowing costs.

## MARCH

The Government of Montenegro adopted the Agro-Budget for this year worth 77.06 million euros, of which 56.54 million euros is to be provided from the government budget, 11.02 million euros from donations, and 9.50 million euros from credit funds.

The Ministry of Finance of Montenegro issued a 850 million euros worth government bonds, with a seven-year maturity and an interest rate of 4.875%.

The Financial Stability Council adopted the Financial Sector Roadmap towards Sustainable Finance, aiming to align Montenegro's financial system with European and global sustainable development standards and ESG principles.

According to the 2025 Index of Economic Freedom published by The Heritage Foundation, Montenegro ranked 67<sup>th</sup> out of 184 countries, with a score of 63.8, which is the annual increase of 4.1 points.

The credit rating agency Standard & Poor's (S&P) confirmed Montenegro's stable outlook and maintained its rating at B+.





## Annex A: Real Sector Developments

**Table 1: Overview of macroeconomic developments**

Description	2024	2025 (chain index)											
	XII/XI	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
Consumer prices (index)	99.9	101.2	100.4	100.3									
Industrial producer prices (index)	99.8	100.1	100.1	99.7									

Source: MONSTAT

**Table 2: Industrial output (p)**

Name	Q I-2025 Ø 2024	Q I-2025 Q IV-2024	Q I-2025 Q I-2024
<b>INDUSTRIAL PRODUCTION INDEX - total</b>	<b>104.5</b>	<b>79.1</b>	<b>95.8</b>
Capital goods	84.6	83.3	76.6
Consumer durables	183.1	211.2	212.2
Intermediate goods	88.9	74.8	95.0
Consumer non-durables	103.3	67.5	118.7
Energy	119.3	90.3	87.8
<b>MINING AND QUARRYING</b>	<b>110.0</b>	<b>94.8</b>	<b>111.2</b>
Mining of coal	112.5	82.8	103.9
Mining of metal ores	117.2	111.4	118.2
Other mining and quarrying	89.7	81.0	107.2
<b>MANUFACTURING</b>	<b>93.4</b>	<b>69.0</b>	<b>101.9</b>
Manufacture of food products	84.8	77.7	95.1
Manufacture of beverages	56.5	55.4	96.3
Manufacture of wearing apparel	65.8	85.4	166.7
Products of wood, cork and the like	87.4	66.9	124.5
Manufacture of paper and paper products	107.5	88.0	138.2
Printing and reproduction of recorded media	56.7	82.1	36.5
Manufacture of chemical and chemical products	73.5	66.6	161.0
Manufacture of basic pharmaceutical products and preparations	129.2	64.0	142.9
Manufacture of rubber and plastic products	104.6	85.5	142.2
Manufacture of other non-metallic mineral products	101.4	81.1	119.8
Manufacture of basic metals	46.8	45.0	28.3
Manufacture of metal products, except machinery and equipment	63.5	43.3	300.0 <sup>1</sup>
Production of machinery and equipment, not mentioned elsewhere	85.7	84.9	76.9
Manufacture of furniture	183.1	211.3	212.2
Repair and assembly of machinery and equipment	106.3	116.7	100.0
<b>ELECTRICITY, GAS, STEAM AND AIR COND. SUPPLY</b>	<b>119.9</b>	<b>91.0</b>	<b>86.6</b>
Electricity, gas, steam and air conditioning supply	119.9	91.0	86.6

Source: MONSTAT

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

	Total	Mining and quarrying	Manufacturing	Electricity, gas, steam and air conditioning supply
2001	99.3	88.5	101.6	93.9
2002	100.6	107.5	102.3	93.4
2003	102.4	101.4	97.9	117.5
2004	113.8	94.9	113.1	121.0
2005	98.1	100.2	102.5	86.6
2006	101.0	102.9	100.1	103.1
2007	100.1	101.5	109.3	72.6
2008	98.0	117.7	88.7	131.9
2009	67.8	34.5	61.4	97.6
2010	117.5	158.7	97.0	151.1
2011	89.7	106.3	106.8	67.3
2012	92.9	79.0	89.9	101.4
2013	110.6	98.6	95.0	138.7
2014	88.6	114.4	93.3	80.4
2015	107.9	91.9	119.9	94.1
2016	95.6	81.9	92.2	103.5
2017	95.8	213.9	97.0	75.4
2018	122.4	78.7	112.1	162.1
2019	93.7	120.8	90.0	92.9
2020	99.1	107.2	99.5	96.2
2021	104.9	75.6	109.1	108.5
2022	96.7	108.9	100.3	89.2
2023	106.4	103.9	93.9	126.2
2024	100.2	108.9	111.9	84.9
Q1 2025	95.8	111.2	101.9	86.6
Q1 2024*				

\* Preliminary data

Source: MONSTAT

**Table 4: Industrial output**

2025	I	II	III*	IV	V	VI	VII	VIII	IX	X	XI	XII
Chain index	75.9	104.7	115.6									
ø 2024 = 100	96.3	100.8	116.5									
Month-on-month	96.3	91.8	99.1									
Year-on-year		94.0	95.8									

**Table 5: Consumer prices**

2025	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
Chain index	101.2	100.4	100.3									
ø 2024 = 100	101.6	102.0	102.3									
Month-on-month	102.8	102.8	102.6									
Year-on-year		102.8	102.7									

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

2025	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
Chain index	100.1	100.1	99.7									
ø 2024 = 100	101.6	101.7	101.3									
Month-on-month	102.0	102.7	102.1									
Year-on-year		102.4	102.3									

Source: MONSTAT

Table 7: Prices

		Consumer prices		Producer's prices of industrial products		Export producer prices of industrial products		Import industrial product prices	
		Total		Total		Total		Total	
		Annual rate	Monthly rate	Annual rate	Monthly rate	Annual rate	Monthly rate	Annual rate	Monthly rate
2022	Jan	5.7	1.3	5.6	2.9	38.2	5.5	10.2	0.1
	Feb	6.7	1.5	5.9	0.6	34.7	-0.8	12.1	3.0
	Mar	9.7	3.4	6.5	1.3	36.2	4.0	16.2	5.6
	Apr	11.2	1.9	10.4	4.0	43.6	4.3	19.5	2.6
	May	11.7	0.8	13.0	2.5	43.4	1.8	16.9	-0.6
	Jun	13.5	1.8	11.1	-2.4	40.8	0.9	14.9	-0.4
	Jul	14.9	1.5	13.2	0.9	41.8	-0.1	14.3	0.2
	Aug	15.0	0.2	14.0	0.2	36.9	-1.1	12.5	-1.4
	Sep	16.0	1.4	15.7	1.1	26.9	-2.8	10.5	-1.7
	Oct	16.8	1.4	13.1	0.2	15.2	-5.2	10.5	2.0
	Nov	17.5	0.9	13.7	1.3	10.5	-1.0	9.3	0.1
	Dec	17.2	0.1	12.1	-0.8	1.5	-3.4	8.7	-1.0
2023	Jan	16.2	0.4	12.9	3.5	-3.7	0.1	11.7	2.9
	Feb	15.1	0.5	12.5	0.3	-3.0	-0.1	8.6	0.3
	Mar	10.5	-0.7	10.7	-0.4	-5.8	0.9	2.9	0.0
	Apr	8.6	0.2	10.7	-0.4	-11.1	-1.6	0.1	-0.2
	May	8.4	0.5	2.8	-1.0	-13.0	-0.4	-0.8	-1.4
	Jun	7.5	0.9	5.5	0.2	-14.1	-0.3	3.1	3.5
	Jul	6.9	1.0	5.4	0.8	-14.8	-0.9	-0.2	-3.0
	Aug	8.6	1.7	4.3	-0.9	-13.3	0.7	2.5	1.3
	Sep	7.9	0.8	4.0	0.8	-10.3	0.5	6.1	1.7
	Oct	6.1	-0.3	3.1	-0.6	-5.6	-0.2	4.1	0.1
	Nov	4.8	-0.3	2.4	0.6	-4.3	0.4	2.6	-1.2
	Dec	4.3	-0.5	5.5	2.2	-1.0	-0.1	2.7	-0.9
2024	Jan	4.4	0.5	2.0	0.1	-1.2	-0.1	-0.4	-0.3
	Feb	4.3	0.4	1.2	-0.5	0.4	1.6	0.0	0.6
	Mar	5.5	0.5	1.8	0.2	0.6	1.1	0.2	0.2
	Apr	5.4	0.1	2.3	0.4	3.5	1.2	0.6	0.2
	May	4.9	0.1	3.7	0.4	5.6	1.6	1.8	-0.2
	Jun	4.1	0.1	4.1	0.6	7.0	1.0	-1.5	0.1
	Jul	3.5	0.4	2.4	-0.9	7.6	-0.3	2.0	0.5
	Aug	2.2	0.4	3.4	0.1	6.6	-0.3	0.3	-0.4
	Sep	1.0	-0.4	2.3	-0.2	5.6	-0.5	-1.7	-0.4
	Oct	1.2	0.0	2.9	-0.1	7.4	1.5	-1.8	0.1
	Nov	1.7	0.2	4.3	2.0	7.1	0.1	-0.5	0.1
	Dec	2.1	-0.1	1.9	-0.2	8.1	0.9	0.6	0.1
2025	Jan	2.8	1.2	2.0	0.1	8.1	-0.1	1.3	0.4
	Feb	2.8	0.4	2.7	0.1	7.7	1.1	1.0	0.3
	Mar	2.6	0.3	2.1	-0.3	5.7	-0.7	0.4	-0.3

Source: MONSTAT

**Table 8: Number of employed and unemployed people**

	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
<b>Employed<sup>1</sup></b>												
2011 <sup>3</sup>	157,849	158,010	158,842	159,669	162,905	168,195	170,618	167,955	164,386	163,396	162,712	162,450
2012	160,880	162,035	162,569	163,744	165,776	162,567	173,124	173,024	169,877	168,701	168,589	167,484
2013	167,370	167,379	167,738	170,302	174,369	179,861	178,815	176,588	171,440	169,044	167,607	167,173
2014	167,616	168,805	170,177	172,202	174,917	179,774	181,408	178,558	173,942	172,306	172,273	171,158
2015	169,719	170,486	171,855	174,208	177,865	180,884	182,444	181,232	177,027	174,761	174,402	172,517
2016	170,434	170,922	172,098	174,700	178,660	183,329	185,659	184,308	180,409	178,629	178,278	177,473
2017	177,058	178,112	179,783	181,687	185,886	188,167	191,770	188,161	184,719	177,369	178,078	177,627
2018	178,160	179,035	181,260	184,039	189,341	196,539	198,987	195,041	195,784	194,555	194,756	194,085
2019	194,589	195,353	197,594	200,595	205,164	213,488	215,181	210,455	205,650	202,787	203,123	198,566
2020	193,423	189,933	187,251	184,607	181,030	178,178	174,170	172,154	168,778	165,961	163,851	160,978
2021 <sup>4</sup>	169,860	172,753	175,149	177,932	180,956	185,344	189,975	193,449	198,549	202,981	209,323	211,302
2022	212,046	212,959	214,917	217,520	222,901	230,765	235,343	230,984	226,500	226,341	227,500	227,151
2023	230,057	232,461	234,839	238,455	244,245	252,734	258,024	253,581	248,834	247,125	247,003	246,449
2024	247,105	248,432	251,108	252,985	257,521	265,527	270,062	264,896	258,102	257,007	258,162	257,778
2025	259,247	260,420	262,737									
<b>Unemployed<sup>2</sup></b>												
2011	32,829	33,062	32,748	32,203	30,920	29,816	29,128	29,078	29,404	30,108	30,576	30,552
2012	31,339	31,495	31,562	31,320	30,126	29,411	28,686	28,549	28,272	29,540	30,718	31,168
2013	31,890	32,648	32,986	32,624	31,363	30,337	30,102	30,947	30,919	33,271	34,680	34,514
2014	34,804	34,664	34,671	33,906	32,763	31,570	31,115	31,163	31,584	33,744	34,733	34,687
2015	35,152	35,172	34,903	33,975	32,347	31,092	31,277	33,073	33,773	36,363	37,930	39,991
2016	41,191	42,616	42,406	41,478	40,242	39,983	40,123	41,088	42,483	45,273	47,757	49,487
2017	51,148	52,241	52,905	52,856	51,258	46,781	46,876	49,058	48,752	50,752	52,226	51,262
2018	48,580	47,487	46,979	45,003	43,692	42,737	41,755	41,012	39,902	41,927	42,889	41,378
2019	38,917	38,642	38,570	38,102	36,658	35,292	34,576	34,355	33,675	35,993	37,924	37,616
2020	35,609	35,582	35,515	40,361	42,194	41,890	42,367	43,065	43,383	44,811	47,053	47,509
2021	47,257	52,437	55,283	56,431	56,385	55,703	54,697	53,986	53,958	55,241	55,956	57,386
2022	56,233	55,462	53,409	50,552	47,584	46,159	45,116	44,449	44,265	44,923	46,389	46,596
2023	44,786	44,632	43,857	42,594	41,415	40,304	38,733	38,108	37,649	39,128	40,378	39,942
2024	38,161	38,014	37,128	36,421	35,415	34,715	33,610	32,596	32,099	32,713	33,205	33,037
2025	31,075	30,842	29,970									

<sup>1</sup> Source: MONSTAT<sup>2</sup> Source: Employment Agency of Montenegro<sup>3</sup> Since April 2010, data have been obtained from the Central Register of Tax Administration (CRTA).<sup>4</sup> Data on the number of employees for 2021 have been revised. Source: Monstat <https://www.monstat.org/eng/novosti.php?id=3415>

## Annex B

Table 9: Balance sheet of licensed banks, in EUR thousand

	2024						2025			Structure in % at 31.03.2025
	31.03.		30.06.		30.09.		31.12.		31.03.	
	1	2	3	4	5	6:4	Index	6:4		
<b>ASSETS</b>										
1. Cash and deposits accounts with central banks	924,838	901,545	985,600	1,208,230	780,395	64,59				10.94
2. Loans	4,259,614	4,482,976	4,606,675	4,639,717	4,859,125	104,73				68.09
2.1. Value adjustment of loans	136,728	135,205	132,839	135,582	136,611	100,76				1.91
2.2. Net loans	4,122,887	4,347,771	4,473,836	4,504,135	4,722,514	104,85				66.18
3. Securities	1,349,340	1,235,925	1,300,614	1,318,148	1,392,304	105,63				19.51
4. Derivative financial assets	26	20	29	29	16	55,17				0.00
5. Other assets	286,913	284,656	281,530	281,232	302,462	107,55				4.24
6. Value adjustment of other assets	62,846	62,884	62,843	61,282	61,502	100,36				0.86
<b>TOTAL ASSETS</b>	<b>6,621,158</b>	<b>6,707,033</b>	<b>6,978,737</b>	<b>7,250,492</b>	<b>7,136,189</b>	<b>98.42</b>				<b>100.00</b>
<b>LIABILITIES</b>										
1. Deposits	5,333,294	5,383,359	5,665,395	5,838,843	5,630,743	96,44				78.90
2. Borrowings	239,142	253,366	195,934	269,963	329,341	121,99				4.62
3. Securities issued										
4. Financial derivatives	1,602	997	2,598	2,457	2,150	87,51				0.03
5. Other liabilities	227,379	235,001	227,151	248,320	247,867	99,82				3.47
6. Total capital	819,741	834,310	887,659	890,909	926,088	103,95				12.98
<b>TOTAL LIABILITIES</b>	<b>6,621,158</b>	<b>6,707,033</b>	<b>6,978,737</b>	<b>7,250,492</b>	<b>7,136,189</b>	<b>98.42</b>				<b>100.00</b>

## Annex C

**Table 10: Auctions of treasury bills in 2025, in EUR thousand**

	Maturity of issued treasury bills, number of days	Issue date	Issued	Sold treasury bills	Total demand	Weighted average rate
2025						
Total for 2025		Number of auctions	Issued	Sold	Demand	
		0	0.00	0.00	0.00	

Source: CBCG

## Annex D

Table 11: Consolidated public consumption<sup>1</sup> in Montenegro 01.01.2025 - 31.03.2025

DESCRIPTION	Realization I-III 2024 in mil EUR	Plan I-III 2025 in mil EUR	Realization I-III 2025 in mil EUR	Participation in GDP, %	Realization in relation to plan I-III 2025 Index	Realization in relation to I-III 2024 Index
<b>PUBLIC REVENUES</b>	<b>668.91</b>	<b>685.13</b>	<b>666.22</b>	<b>8.41</b>	<b>97.24</b>	<b>99.60</b>
Taxes	463.58	524.76	518.26	6.54	98.76	111.80
Personal income tax	33.66	41.81	44.52	0.56	106.48	132.26
Corporate profit tax	78.93	82.23	78.20	0.99	95.10	99.07
Property tax	7.72	20.40	11.17	0.14	54.77	144.66
Property turnover tax	4.28	5.48	6.94	0.09	126.77	162.36
Value added tax	252.35	282.28	282.28	3.56	100.00	111.86
Excises	66.92	70.65	71.47	0.90	101.15	106.80
Tax on international trade and transactions	11.49	12.69	14.16	0.18	111.56	123.26
Local taxes and other Equalization fund revenues	4.97	5.68	6.03	0.08	106.10	121.36
Other state revenues	3.25	3.54	3.48	0.04	98.27	107.07
Contributions	114.84	92.06	84.40	1.07	91.68	73.50
Contributions for pension and disability insurance	105.26	81.59	71.29	0.90	87.38	67.73
Contributions for health insurance	1.18	1.31	2.05	0.03	156.14	173.28
Contributions for unemployment insurance	4.91	4.97	6.55	0.08	131.85	133.36
Other contributions	3.48	4.19	4.51	0.06	107.55	129.46
Duties	4.04	4.37	4.08	0.05	93.39	100.94
Fees	32.57	33.10	31.99	0.40	96.64	98.21
Other revenues	26.33	12.32	11.69	0.15	94.84	44.40
Donations	27.56	18.52	15.81	0.20	85.36	57.36
<b>PUBLIC EXPENDITURES</b>	<b>658.39</b>	<b>807.34</b>	<b>747.35</b>	<b>9.44</b>	<b>92.57</b>	<b>113.51</b>
Current expenses	257.03	312.69	281.09	3.55	89.89	109.36
Gross earnings and contributions charged to employer	181.25	191.62	188.49	2.38	98.37	104.00
Other personal income	5.17	7.22	5.10	0.06	70.61	98.66
Expenditures for supplies and services	21.72	30.33	21.90	0.28	72.20	100.84
Current maintenance	3.99	9.61	6.26	0.08	65.13	156.87
Interests	15.83	33.82	32.15	0.41	95.04	203.08
Rent	2.40	3.48	2.26	0.03	64.80	93.88
Subsidies	11.33	17.38	11.53	0.15	66.38	101.76
Other expenses	15.34	19.23	13.40	0.17	69.72	87.39
Social security transfers	233.98	265.69	269.74	3.41	101.52	115.28
Transfers to institutions, individuals, NGOs and public sector	98.13	122.68	112.87	1.43	92.01	115.03
Capital expenses	44.90	68.28	57.36	0.72	84.01	127.76
Borrowings and loans	0.00	0.00	0.02	0.00		
Reserves	1.29	19.70	5.32	0.07	26.99	412.49
Repayment of guarantees	2.30	4.10	4.06	0.05	0.00	176.53
Repayment of liabilities from the previous period	20.77	14.20	16.89	0.21	118.98	81.31
<b>CASH DEFICIT/SURPLUS<sup>2</sup></b>	<b>10.52</b>	<b>-122.20</b>	<b>-81.13</b>	<b>-1.02</b>	<b>66.39</b>	<b>-771.41</b>
Debt repayment to residents	30.78	10.49	10.49	0.13	100.01	34.09
Debt repayment to non-residents	72.98	73.79	71.49	0.90	96.88	97.95
Expenses for purchase of securities	1.41	3.43	1.04	0.01	0.00	73.89
Borrowings and loans	2.32	2.28	2.93	0.04	128.73	126.28
Privatisation revenues	0.74	3.10	1.45	0.02	46.83	196.11
Receipts from repayment of loans	5.45	0.84	4.34	0.05	515.37	79.73
Transfers from budget	3.06	5.20	5.38	0.07	103.49	175.94
Borrowings and loans from foreign sources	695.00	0.80	16.47	0.21	2,058.72	2.37
Borrowings and loans from domestic sources	0.74	0.82	0.64	0.01	77.79	86.58
Deposit increase/decrease	-608.01	201.43	138.80	1.75	0.00	-22.83
<b>GDP</b>				<b>7,918.5</b>		

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

<sup>2</sup> Cash deficit/surplus as difference between public revenues and public expenditures.

Source: Ministry of Finance