

Summary of the Governor's Report – November 2013

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The Governor's Report for November 2013 provides an overview of key activities of the Central Bank concerning implementation of targets and objectives defined by the Central Bank of Montenegro Policy for 2013 and Guidelines for Implementation of the Central Bank of Montenegro Policy for 2013, on a monthly basis.

Activities of the Central Bank were conducted pursuant to the planned obligations determined by the Central Bank of Montenegro Work Programme for 2013.

During the first nine months of 2013, according to preliminary Monstat data, gross domestic product of Montenegro increased by 3.1%, while the Montenegrin economy recorded an increase of 4% in Q3 2013. According to the estimates of the Ministry of Finance for 2013, it is expected that the real growth will amount to 2.6%.

In November 2013, prices recorded a monthly decline of 0.6%, while the annual inflation rate was equal to zero.

In the first eleven months of 2013, the industrial output recorded a y-o-y increase of 10.2%. The growth was recorded in the electricity, gas and steam supply sector (47.9%), while there was a decline in the mining and quarrying sector (4.4%) and in the sector of manufacturing industry (9.2%).

The number of tourist arrivals in the first eleven months of 2013 increased by 3.5%, while the number of overnight stays recorded a y-o-y increase of 2.7%. During this period, according to the Monstat data, the air passenger transport recorded a y-o-y increase of 14.4%, while the air cargo transport recorded a decline of 1.1%. During the first nine months (three quarters) of 2013, railway passenger transport increased by 10% while railway cargo transport recorded a 26.6% increase compared to the same period of 2012. During the first nine months of 2013, road passenger transport recorded a y-o-y increase of 3.5% while road cargo transport increased by 55.2%.

During the first eleven months of 2013, production of wood products amounted to 248.8m³, which represents a y-o-y increase of 10.2%. During the first nine months of 2013, according to preliminary Monstat data, construction recorded y-o-y increase of 29.9%, measured by effective working hours.

In November, the average number of employed persons amounted to 167,607, which is a decline of 0.8% on a monthly level and a decline of 0.6% on an annual level. In November 2013, the number of unemployed persons amounted to 34,680, which is 4.2% more compared to the previous month and 12.9% more compared to November 2012.

Out of 54,785 legal persons and entrepreneurs, at end-November 2013, accounts of 12,761 or 23.3% were frozen. In relation to the previous month, the number of frozen accounts of legal persons and entrepreneurs increased by 1.6%. At end-November, total amount of debt being the basis for freezing of accounts amounted to EUR 425.9 million, showing a monthly increase of 1.6%. On 30 November 2013, the debt concentration was relatively high, considering that the top 10 debtors (0.08% of total recorded debtors) accounted for 22% of the total debt. Moreover, the top 50 debtors (0.39% of total recorded debtors) accounted for 46.1% of the total debt being the basis for freezing of accounts.

At end-November, total assets and liabilities increased by 5.9% compared to end-2012. In terms of the structure of aggregate balance assets of banks, total loans and other receivables make up the dominate share, which were 5.2% higher at end-November 2013 in relation to December 2012. It is necessary to note that this increase of loans was partially conditioned by the application of International Accounting Standards. Total amount of new loans in the banking sector for the first eleven months of 2013 amounted to EUR 692.6 million.

In terms of the structure of liabilities, deposits make up the dominate share of 70.1%. At end-November 2013, deposits amounted to EUR 2,084.9 million, which is 0.9% less in relation to the previous month. Deposits in banks increased by 5.3% compared to end-December 2012. Out of the total amount of deposits with banks, household deposits accounted for EUR 1,221.0 million or 58.6%, while corporate deposits accounted for EUR 553.9 million or 26.6%. At end-November 2013, total capital of banks amounted to EUR 422.6 million, which is EUR 134 million (i.e. 46.4%) more in relation to end-2012.

In November, past due loans and other receivables (without interests and payments and accruals) amounted to EUR 502.5 million and declined by 9.9% in relation to the previous month. At end-November 2013, non-performing loans and other receivables (without interests and payments and accruals) declined by 2.3% in relation to the previous month, which made up 17.4% of total loans and other receivables.

The weighted average lending effective interest rate (WALEIR) on total approved loans amounted to 9.33% in November 2013, which represents the same level as in October, while it recorded a decrease of 0.14 percentage points in relation to December 2012. The weighted average depositing interest rate (WADIR) amounted to 2.60% in November 2013, showing a decline of 0.06 percentage points on a monthly level, while it recorded a decline of 0.63 percentage points in relation to December 2012.

At end-November 2013, reserve requirement of banks amounted to EUR 196.3 million, which is 2.1% lower compared to October 2013. In relation to December 2012, reserve requirements increased by 4.9%. In November, ten banks used the possibility to allocate a part of their reserve requirements in the form of T-bills (in the total amount of EUR 52.7 million). Of the total amount of allocated reserve requirements, some 41.1% was allocated to the CBCG account held abroad, 32.1% to the account of reserve requirement in the country, and 26.8% in the form of T-bills. In November 2013, all banks allocated and maintained reserve requirements within prescribed limits, and did not exploited the option to use up to 50% of reserve requirements in order to maintain liquidity.

Gross insurance premium amounted to EUR 5.2 million, at end-November 2013. Non-life insurance premiums still accounted for the main share in its structure with 82.4%, while invoiced life insurance premiums accounted for the remaining 17.6%.

In November 2013, Montenegro stock exchange recorded a turnover in the amount of EUR 3.7 million, which is 154.9% more in relation to the previous month. The total trade was realised through 440 transactions. Market capitalisation, as at 30 November 2013 amounted to EUR 2.8 billion, thus recording an insignificant monthly decline of 0.2%. The MONEX20 index, whose value at end-November 2013 amounted to 9,049.48 index points, recorded an increase in relation to the end of the previous month by 0.5%, while investment fund index MONEXPIF increased by 4.9% and amounted to 2,934.66.

In November 2013, Montenegrin budget deficit amounted to EUR 4.1 million, while in November 2012 there was a deficit in the amount of EUR 15.3 million. In the first eleven months in 2013, budget deficit amounted to EUR 122 million, i.e. 3.7% of the estimated GDP. Current revenues of the budget of Montenegro amounted to EUR 95.8 million, or 2.9% of GDP, which is 1.2% lower than the plan for November. Budget expenditures amounted to EUR 99.9 million or 3% of the GDP, which represents a y-o-y decline of 0.7% as well as a decline of 4.9% in relation to the plan.

As per preliminary data, in the period January-September 2013, the current account deficit recorded a 29.1% y-o-y decrease, amounting to EUR 231.7 million. The goods account recorded a decline of visible foreign trade due to a decline of import by 4.1%, along with an increase of export of goods by 3.8%, which resulted in a y-o-y decline of foreign trade deficit by 6.3%. According to preliminary data, net FDI inflow for the period January-November 2013 amounted to EUR 268.4 million, which is a y-o-y decrease of 36.3%.

With a view to fostering and maintaining a sound banking system, the condition of the banking sector in Montenegro was subject to ongoing monitoring and analysis.

International reserves management was performed based on the principles of liquidity and security, but with a strong negative influence of the crisis in international market, evident in a decline of the market prices of materials. The activities regarding the Central Bank's role as a fiscal agent were performed successfully. RTGS and DNS systems availability was 100%.

In November, the Central Bank carried out significant activities aimed at meeting obligations on the road towards Montenegro's accession to the EU. Negotiation position for the Chapter 4 – Free Movement of Capital was prepared. CBCG's representatives actively participated in preparing a part of the Montenegro's EU Accession Programme within WG 9, 17, 18 and 32 and participated in the meeting of the Subcommittee on economic and financial issues and statistics. Also, contributions from the jurisdiction of the Central Bank were prepared for the purpose of preparing for the meeting of the Parliamentary Committee for Stabilisation and Accession.

Activities aimed at improving the information system of the Central Bank of Montenegro were continued. General public was timely informed, in line with the highest transparency standards, about the activities, goals and results of CBCG's operations. This was done by means of press releases and publications, web presentations and media appearances. On its website, the Central Bank continued to publish the data on legal entities and entrepreneurs with frozen accounts in the amount above EUR 10,000 for a continuous period exceeding 30 days, in accordance with the adopted Law Amending the Law on National Payment System.

In November, Governor's engagement in the international cooperation included participation in the second Child & Youth Finance Regional Meeting for Europe and Central Asia, which was hosted by the European Central Bank. Also, the Governor participated in the regional conference "State and the Future of the Regional Financial Systems", held in Belgrade, as well as in the tenth Vienna economic forum titled "Visions and Visionaries. The Economy is the motor", held in Vienna.