

The Governor's Report – April 2018

Updated: 21 November 2018

The Governor's Report for April 2018 provides an overview of key activities of the Central Bank concerning the implementation of targets and objectives defined by the Central Bank of Montenegro Policy for 2018 and Guidelines for Implementation of the Central Bank of Montenegro Policy for 2018, on a monthly basis.

In April, activities of the Central Bank were conducted pursuant to the planned obligations determined by the Central Bank of Montenegro Work Programme for 2018.

Preliminary Monstat data show that Montenegro's 2017 real GDP growth rate amounted to 4.4%, based on quarterly estimates. Year-on-year growth was recorded in all four quarters of 2017, amounting to 3.1%, 5.2%, 4.7% and 4.0%, respectively.

In April 2018, prices recorded monthly increase of 0.1%, while this month's annual inflation rate stood at 2.9%.

In the first four months of 2018, industrial output recorded a year-on-year increase of 38.2%. Output increase was recorded in the electricity, gas and steam supply sector (92.1%), and in the manufacturing industry sector (14.3%), whereas the mining and quarrying sector saw a decline in output (-21.4%). In the first three months of 2018, the number of tourist arrivals in collective accommodation establishments rose by 28.7% y-o-y, while overnights grew by 11.9%.

Preliminary Monstat data show that in the first three months of 2018, air passenger transport grew by 18.8% y-o-y, while air freight transport decreased by 1.1%. Over the same period, railway passenger transport dropped by 12%, and railway cargo transport by 21.4%. The road passenger transport increased by 0.1%, and road freight transport grew by 2% y-o-y.

In the first two months of 2018, production of wood products amounted to 13,475 m³, which is a decrease of 36.2% y-o-y. As per Monstat's preliminary data, in the first three months of 2018, construction saw a year-on-year

increase of 46.8% in the value of executed construction works, as well as a 29.1% year-on-year increase in effective working hours.

In April 2018, the average number of employed persons amounted to 184,039, which is a monthly increase of 1.5% and an increase of 1.3% in relation to March 2017. The number of unemployed persons amounted to 45,033, dropping by 4.2% m-o-m, and by 14.9% y-o-y.

As at 30 April 2018, out of 43,816 business entities registered as active in the Central Registry of Business Entities, and with active accounts in the Central Registry of Transaction Accounts, a total of 13,181 or 30.10% were frozen. Compared to the previous month, the number of blocked business entities increased by 0.15%. At end-April 2018, the total amount of debt used as the basis for the account freeze amounted to 589.6 million euros, showing a monthly increase of 2.20%.

As at 30 April 2018, out of the total number of business entities with frozen accounts (13,181) a total of 2,345 business entities were under uninterrupted blockage up to 365 days, with frozen funds in the amount of 39,868,548.78 euros or 6.76% of the total amount of frozen funds. The number of business entities under uninterrupted blockage for over 365 days was 10,836 with frozen funds in the amount of 549,727,639.57 euros or 93.24% of the total amount of frozen funds of business entities.

As at 30 April 2018, debt concentration was relatively high, considering that top 10 blocked business entities (0.08% of total recorded blocked business entities) accounted for 15.57% of the total debt used as the basis for the account freeze. In addition, 50 of blocked business entities (0.4% of total number of blocked business entities) accounted for 37.24% of the total debt used as the basis for the account freeze.

At end-April 2018, total assets and liabilities of banks amounted to 4,168.5 million euros, recording a monthly increase of 0.9%. The main share in the structure of aggregate balance sheet of banks referred to loans. At end-April 2018, loans amounted to 2,828.9 million euros, recording the increase of 2.7% m-o-m and 10.2% y-o-y.

In the structure of liabilities, deposits made up the main share of 79%. In April 2018, deposits in banks amounted to 3,293.3 million euros, rising by 1.6% m-o-m and 14.9% y-o-y. At end-April 2017, total capital of banks amounted to 503.3 million euros, increasing by 1.3% m-o-m, and 0.5% y-o-y.

Past due loans (without interests, and prepayments and accruals) amounted to 215.1 million euros, which is a monthly decline of 1% and a year-on-year decline of 25.8%. At the end of the month, non-performing loans (without interests, and prepayments and accruals) amounted to 200.6 million euros and made up 7.1% of total loans. In relation to the previous month, non-performing loans of banks increased by 0.1%, while they recorded an annual decrease of 17.6%.

At end-April 2018, the weighted average lending effective interest rate on total loans granted amounted to 6.68% which represents a monthly decrease of 0.02 percentage points and a decrease of 0.44 percentage points, y-o-y. In April 2018, the weighted average lending effective interest rate on new loans amounted to 6.71%, which represent a monthly drop of 0.34 percentage points, and a decrease of 0.18 percentage points in relation to April 2017. The weighted average effective deposit interest rate amounted to 0.64% at end-April 2018. The rate saw a monthly decline of 0.02 percentage points, and a year-on-year decline of 0.24 percentage points.

At end-April 2018, reserve requirement of banks amounted to 239.3 million euros, recording a monthly rise of 2.2 million euros or 0.9% and a year-on-year increase of 16.8 million euros or 7.5%. In April 2018, all banks allocated and maintained the prescribed amount of reserve requirements. In the total amount of allocated reserve requirement, 52.6% was allocated to the reserve requirement account abroad, while 47.4% was allocated to the CBCG account in the country.

In the period January-April 2018, the gross insurance premium amounted to 25.4 million euros. Non-life insurance premiums still accounted for the main share in its structure with 83.8%, while invoiced life insurance premiums accounted for 16,2%.

In April 2018, Montenegro Stock Exchange recorded a turnover in the amount of 1.2 million euros, through 263 transactions. In relation to the previous month, the turnover was lower by 16.4%. As at 30 April 2018, stock exchange capitalisation, amounted to 2,949.7 million euros, recording a monthly increase of 0.5%. At the same time, the MONEX index stood at 10,152.94 index points, recording a monthly increase of 0.6%. The MNSE10 index amounted to 786.28 index points increasing by 0.5% in relation to the previous month.

The Ministry of Finance estimated that Montenegro's fiscal surplus amounted to 9.7 million euros or 0.2% of estimated annual GDP in April 2018. Source revenues of the budget of Montenegro amounted to 156.7 million euros or 3.6% of GDP, exceeding the plan for April by 12.2%. In this month, the source revenues recorded a year-on-year increase of 25.5%. Budget expenditure amounted to 147 million euros or 3.3% of GDP, which was a year-on-year increase of 4.1%, and by 1.3% below planned.

According to the Ministry of Finance data, at the end of March 2018, Montenegro's gross government debt stood at 2,665.3 million euros or 60.6% of GDP. Net government debt amounted to 59% of GDP.

With a view to fostering and maintaining a sound banking system, Montenegro's banking sector was subject to continuous oversight and analysis. International reserves management was performed based on the principles of liquidity and safety. The activities regarding the Central Bank's function of a fiscal agent were performed successfully. In April, the availability of the RTGS and DNS systems was 100%.

In this period, the Central Bank carried out significant activities aimed at meeting obligations on the road to Montenegro's EU accession. The CBCG and Croatian National Bank experts took part in the first mission of the twinning project "Support to Regulation of Financial Services". At the request of the Prime Minister's Office, the CBCG drafted comments on the European Commission's document covering Chapter IV of the 2018-2020 Economic Reform Programme. The CBCG prepared and submitted the comments on the Progress Report on the Action Plan on Economic, Monetary and Financial Statistics for the Western Balkans and Turkey.

The general public was informed timely, and in line with the highest transparency standards about the activities, goals, and results of the CBCG's operations. This was done by means of public announcements, publications, web presentations, and media appearances. Pursuant to the Law Supplementing the Payment System Law, the Central Bank continued to publish on its website the information on legal entities and entrepreneurs with frozen accounts in the amount over 10,000 euros for a continuous period exceeding 30 days.