

The Governor's Report – April 2021

The Governor's Report for April 2021 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 2021, 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 2021.

According to preliminary Monstat data, Montenegro's GDP, based on quarterly estimates in 2020, amounted to 4,193.2 million euros, which is an estimate of a real decline in GDP of 15.2% in relation to 2019. According to preliminary Monstat data, a real decline of 6.4% was recorded in Q1 this year in relation to the same quarter of the previous year.

In April 2021, consumer prices were 0.6% higher in relation to the previous month, and 2.2% higher y-o-y.

During the first four months of 2021, industrial output recorded a year-on-year increase of 16%. The increase was recorded in electricity, gas and steam supply sector (46.6%), while the decline was recorded in the manufacturing industry and mining and quarrying sectors of -2% and -13.8%, respectively.

According to preliminary data, the number of tourist arrivals in collective accommodation in the first four months of 2021 amounted to 57.395, which is 36.2% less than in the same period of the previous year. A total of 143.839 overnights were recorded, which is 25.4% less y-o-y.

According to preliminary Monstat data, passenger transport in the first three months of 2021, in relation to the same period of the previous year, recorded a significant decline in all types of transport: railway by 51.3%, road by 59% and passenger transport at airports 71.2%.

During the first four months of 2021, production of forest assortments amounted to 3.614m³, which is a decrease of 93.5% in relation to the corresponding period of 2020. Preliminary Monstat data show that in the first three months of 2021, construction recorded y-o-y decline of 0.8% in the value of executed construction works, as well as a 1.3% decrease in effective working hours.

In April 2021, the average number of employed persons amounted to 153,172, which is a monthly decrease of 1% and a y-o-y decrease of 17%. In April 2021, the number of unemployed persons amounted to 56,431 which represents an increase of 2.1% in relation to the previous month and an increase of 39.8% compared to April 2020.

As at 30 April 2021, out of 50,755 business entities registered as active in the Central Registry of Business Entities, and as having active accounts in the Central Registry of Transaction Accounts, a total of 15,490 or 30.5% were frozen. Compared to the previous month, the number of blocked business entities was 0.8% higher, while compared to the same month of 2020, its growth stood at 4.5%. At end-April 2021, the total amount of debt used as the basis for the account freeze was 797.1 million euros, showing a monthly increase of 1.8% and an annual increase of 29.6%.

As at 30 April 2021, out of the total number of business entities with frozen accounts (15,490) a total of 1,697 business entities were under uninterrupted blockage up to 365 days, with frozen funds in the amount of 111 million euros or 13.9% of the total amount of frozen funds. The number of business entities under uninterrupted blockage exceeding 365 days was 13,793 with frozen funds in the amount of 686.1 million euros or 86.1% of the total amount of frozen funds of business entities.

As at 30 April 2021, debt concentration was relatively high, considering that top 10 debtors (0.06% of total recorded debtors) accounted for 24.5% of the total debt being the basis for freezing of accounts. In addition, 50 of blocked business entities (0.3% of total number of blocked business entities) accounted for 45.8% of the total debt used as the basis for the account freeze.

The total assets of banks at end-April 2021 amounted to 4.67 billion euros, which represents an annual growth of 155.7 million euros, or 3.4%. In terms of the structure of aggregate balance sheet of banks, total loans make up the dominate share. At end-April 2021 total loans amounted to 3,295.3 million euros, which is 1% more in relation to the previous month and 6.2% higher in relation to April 2020.

In the structure of liabilities, deposits made up the main share of 74.6%. In April 2021, deposits in banks amounted to 3.485 million euros, rising by 0.8% m-o-m and 5.2% y-o-y. Total capital of banks at end-April 2021 amounted to 600.7 million euros, which is an increase of 0.1% in relation to the previous month and a y-o-y decrease of 1.3%.

In April, past due loans (without interests, and prepayments and accruals) amounted to 170.5 million euros, which is an increase of 6.6% in relation to the previous month, while they recorded decrease of 3.5% in relation to end-April 2020. At the end of the month, non-performing loans (without interests, and prepayments and accruals) amounted to 181.8 million euros and made up 5.5% of total loans. In relation to the previous month, non-performing loans of banks increased by 2.2%, while they recorded an annual increase of 11.6%.

At end-April 2021, the weighted average lending effective interest rate (WALEIR) on total loans granted amounted to 5.81% and was the same as at the end of the previous month and decreased by 0.15 percentage points y-o-y. The weighted average effective lending interest rate (WALEIR) on new loans amounted to 5.91% in April 2021, which represent a monthly increase of 0.70 percentage points, and an increase of 0.52 percentage points in relation to April 2020. The weighted average effective deposit interest rate (WAEDIR) amounted to 0.4% at end-April 2021 recording a monthly decline of 0.01 percentage points and a y-o-y decline of 0.01 percentage points.

At end-April 2021, reserve requirement of banks amounted to 184.7 million euros, recording a monthly rise of 2.4 million euros or 1.3% and a year-on-year decrease of 67 million euros or 26.6%. In April 2021, all banks allocated and maintained the prescribed amount of reserve requirements. In the total allocated reserve requirement, 52.8% was allocated to the reserve requirement account in the country, while 47.2% was allocated to the CBCG's foreign accounts.

Gross insurance premium amounted to 31.8 million euros during the first four months of 2021. Non-life insurance premiums still accounted for the main share in its structure with 81,8%, while invoiced life insurance premiums accounted for 18,2%.

The effected turnover in the first four month 2021 was 20.9 million euros done through 596 transactions, and it was 91.8% higher y-o-y. As at 30 April 2021, stock exchange capitalisation amounted to 3,182.4 million euros, recording a monthly and an annual decrease of 0.5% and 5.7%, respectively. At the same time, the MONEX index stood at 11,004.73 index points at end-April this year, recording a monthly decline of 0.1% and an annual increase of 7.2%. The MNSE10 SE index amounted to 753.86 index points, recording a monthly decrease of 0.9% and an annual increase of 11.1%.

The source revenues for the first four months of 2021, according to preliminary data from the Ministry of Finance and Social Welfare, amounted to 491.8 million euros and were by 0.7% higher than planned, while compared to the same period of the previous year were lower by 1.7%. Budget expenditures amounted to 633.9 million euros and were 1.8% higher in relation to January-April 2020, whereas 8.7% lower compared to the plan. The budget deficit amounted to 142.1 million euros or 3.1% of the estimated annual GDP.

At end-March 2021, public debt (gross) of Montenegro amounted to 4,097.5 million euros or 88.4% of GDP. Out of that figure, a total of 454.8 million euros or 9.8% of GDP referred to domestic debt, while external debt accounted for 3,642.7 million euros or 78.6% of GDP. Net government debt amounted to 77% of GDP.

In April, the Central Bank continued with the activities aimed at meeting the requirements on the road towards Montenegro's accession to the EU. Within the technical cooperation with partner central banks, bilateral cooperation was realized in an online format with the Bank of Germany on the topic "*Cash management regarding damaged money and IBNS marked money*". For the purpose of holding an online meeting of the Subcommittee on Internal Market and Competition, an article on the implemented activities for the period from 01 May 2020 to 01 May 2021 was prepared. Activities on the implementation of the multi-beneficiary program *IPA 2017* in the area of "1.2 Statistics of International Trade in Services" (*1.2 ITS*) continued. Participation in the online meeting of the balance of payments working group (*BOP WG*) organized by Eurostat. For the needs of the assistance project *SP7.1-MIP indicators*, the balance of payments data for 2020 have been updated and the metadata form for the same indicators has been adjusted.

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%.

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.