

The Governor's Report – November 2021

The Governor's Report for November 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 November, 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 final Monstat data, Montenegro's GDP in 2020, amounted to 4,185.6 million euros, which is a real decline in GDP of 15.3% in relation to 2019. According to preliminary Monstat data, a real decline of 6.5% was recorded in Q1 this year, while respective growth of 19% and 25.8% was recorded in Q2 and Q3 in relation to the same quarter of the previous year.

In November 2021, consumer prices were 0.3% higher in relation to the previous month, and 4.4% higher y-o-y.

During the first 11 months of 2021, industrial output recorded a year-on-year increase of 4.4%. Production increase was recorded in electricity, gas and steam supply sector (9.5%) and in manufacturing industry (7.1%), while the mining and quarrying sector recorded a decline (-23.7%).

According to preliminary data, the number of tourist arrivals in collective accommodation establishments amounted to 707,152 in the first eleven months of 2021, which is 170.9% more than in the same period of the previous year. At the same time, a total of 2.9 million overnights were recorded, which is a 213.5% increase y-o-y.

Preliminary Monstat data show that during the first nine months of the current year, air passenger transport recorded a year-on-year growth of 145.5%, while air cargo transport rose by 53.2%. The number of passengers transported via railways increased by 14.4%, and railway freight transport dropped by 27.6%. Road passenger transport was 23% higher, while road freight transport increased by 5.5% year-on-year.

During the first eleven months of 2021, production of wood products amounted to 149.369 m³, which is a decrease of 46.6% in relation to the corresponding period of the previous year. Preliminary Monstat data show that construction recorded the year-on-year decrease of 3.6% in the first nine months of this year in the value of executed construction works, as well as a 1.7% growth in effective working hours.

In November 2021, the average number of employed persons amounted to 209,323, which is an increase of 3.1% compared to the previous month and 27.8% more in relation to November 2020. In November 2021, the number of unemployed persons amounted to 55,956, which represents an increase of 1.3% in relation to the previous month and an increase of 18.9% compared to November 2020.

As at 30 November 2021, out of 52,479 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 15,582 or 29.7% were blocked. Compared to the previous month, the number of blocked business entities increased by 1%, yet it rose by 3% compared to the same month of 2020. At end-November 2021, the total amount of debt used as the basis for freezing the accounts of commercial entities amounted to 843.6 million euros, showing both monthly and annual increase of 0.7% and 20.4%, respectively.

As at 30 November 2021, of the total number of business entities with blocked accounts (15,582) a total of 1,558 were under uninterrupted blockage up to 365 days, with blocked funds in the amount of 60,917,487.89 euros or 7.2% of the total amount of blocked funds, while the number of business entities under uninterrupted blockage for over 365 days amounted to 14,024 and the blocked funds amounted to 782,696,817.49 euros or 92.8% of the total amount of blocked funds of business entities.

As at the same date, debt concentration was relatively high, considering that top 10 debtors (0.06% of total recorded debtors) accounted for 24% of the total debt being the basis for blocking the accounts. In addition, 50 of blocked business entities (0.3% of total number of blocked business entities) accounted for 45.9% of the total debt used as the basis for the account blockage.

Total assets of banks amounted to 5.31 billion euros at end-November 2021, which represents the annual growth of 677.9 million euros or 14.6%. In terms of the structure of balance sheet of banks, total loans make up the dominate share. At

end-November 2021 total loans amounted to 476.3 million euros, which is 1% higher in relation to the previous month yet 7.1% higher in relation to November 2020.

In the structure of liabilities, deposits made up the main share of 78.8%. Total banks' deposits amounted to 4.180,9 million euros at end-November 2018 and they recorded a monthly increase of 3%, and a growth of 24.3% in relation to November 2020. Total capital of banks at end-November 2021 amounted to 620.5 million euros, which is an increase of 0.2% in relation to the previous month and a decrease of 0.9% in relation to the corresponding period of the previous year.

In November, past due loans (without interests, and prepayments and accruals) amounted to 157.9 million euros, which is an increase of 3.9% in relation to the previous month, while they recorded a decrease of 26.8% in relation to November 2020. At end-November 2021, non-performing loans (without interests and prepayments and accruals) amounted to 207.8 million euros and accounted for 6% of total loans. In relation to the previous month, non-performing loans of banks increased by 6.9%, while they recorded an annual increase of 8.3%.

The weighted average lending effective interest rate (WALEIR) on total loans approved amounted to 5.69% at end-November 2021, which represents a monthly decrease of 0.02 pp, while in relation to end-November 2020 it recorded a decrease of 0.13 pp. The WALEIR on new loans amounted to 5.19%, which represent a monthly growth of 0.19 pp, and a decline of 0.05 pp in relation to November 2020. The weighted average deposit effective interest rate (WADEIR) amounted to 0.34%, being the same as in the previous month, while year-on-year decline it declined 0.05 pp.

At end-November 2021, reserve requirement of banks amounted to 219.7 million euros, recording a monthly rise of 6.2 million euros or 2.9% and a year-on-year increase of 41.7 million euros or 23.5%. During November 2021, all banks allocated and maintained reserve requirements within prescribed limits. In the total allocated reserve requirement, 62.1% was allocated to the reserve requirement account in the country, while 37.9% was on the CBCG foreign accounts.

Gross insurance premium amounted to 90.3 million euros in the first 11 months of 2021. Non-life insurance premiums still accounted for the main share in its structure with 81%, while invoiced life insurance premiums accounted for 19%.

The generated turnover on the Montenegro Stock Exchange amounted to 45.8 million euros during the reporting eleven-month period, done through 1,505 transactions and being 1.6 times higher in relation to the same period of the previous year. As at 30 November 2021, stock exchange capitalisation amounted to 3.136 million euros, recording a monthly and an annual decrease of 1.4% and 1.9%, respectively.

At the same time, the MONEX index stood at 10,563.626 index points, recording a monthly decline of 6.1% and the annual increase of 7.3%. The MNSE10 SE index amounted to 763.59 index points, recording a monthly decrease of 1.8% and the year-on-year increase of 20.6%.

According to the Ministry of Finance and Social Welfare preliminary data, the source revenues of the budget for the first 11 months of 2021 amounted to 1.66 billion euros and were at the planned level, while being 14.3% higher y-o-y. Budget expenditures amounted to 1.74 billion euros and were 6.1% lower in relation to January-November 2020, as well as in relation to the plan. The fiscal deficit amounted to 75.8 million euros or 1.6% of the estimated annual GDP.

At end-September this year, (gross) government debt amounted to 4,076.2 million euros or 83.5% of GDP. Of this amount, a total of 417.3 million euros or 8.6% of GDP referred to domestic debt, while external debt accounted for 3,658.9 million euros or 74.9% of GDP. The net government debt of Montenegro amounted to 72.8% of GDP.

In March, the Central Bank continued with the activities aimed at meeting the requirements on the road towards Montenegro's accession to the EU. Among other things, the constitutive session of the Working Group for Negotiating Chapter 9 - Financial Services was held, on the occasion of the forthcoming obligations. The annual assessment of the so-called Celexa for negotiating Chapter 9 was done. Also, the second meeting of the working group for negotiating chapter 17 - Economic and Monetary Union was held. Participation in the high-level dialogue between the CBCG and the European Central Bank was realized. The multi-beneficiary project *IPA 2019* in the field of international trade in services was launched in November, which is a continuation of the previous project *IPA 2017*. At the request of the Ministry of Economic Development, the national coordinator for the implementation of the principles of the Small Business Act (SBA), additional information was provided regarding dimension 6 - Access to finance.

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 following the principles of liquidity and safety. Activities regarding the Central Bank's function of a fiscal agent were also performed successfully. RTGS and DNS systems availability amounted to 100% in November.

In line with the highest transparency standards, the general public was timely informed about the activities, goals, and results of the CBCG operations via 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 whose accounts were blocked for the amounts exceeding 10,000 euros for a continuous period of over 30 days.