

The Governor's Report – April 2022

The Governor's Report for April 2022 provides a monthly overview of key activities of the Central Bank concerning the implementation of objectives and targets defined under the Central Bank of Montenegro Policy for 2022, on monthly level.

In April, activities of the Central Bank were conducted pursuant to the planned obligations determined by the Central Bank of Montenegro Work Programme for 2022.

Preliminary MONSTAT data for 2021 indicate that the year-on-year growth of GDP was 12.4%, as per quarterly estimates. In Q1 2022, the year-on-year real growth of 7.2% was recorded.

In April 2022, consumer prices were 1.9% higher compared month-on-month, and 11.2% higher y-o-y.

According to preliminary MONSTAT data, industrial output recorded the year-on-year decline of 9.5% during the first four months of 2022. Production decrease was recorded in electricity, gas and steam supply sector of 23.9%, while manufacturing industry and mining and quarrying sector recorded respective output growths of 5.5% and 3.6%.

The number of tourist arrivals in collective accommodation in the first four months of 2022 amounted to 156,075, which is 171.93% more than in the same period of the previous year. At the same time, tourist overnights reached 427,681, which the year-on-year growth of 197.33%.

MONSTAT's preliminary data indicate that passenger transport in Q1 2022 recorded significant year-on-year growth in all types of transport. Passenger transport via railways rose by 85.29%, while road and air passenger transport rose by 47.10% and 158.97%, respectively.

According to preliminary MONSTAT data for Q1 2022, construction recorded the year-on-year decrease of 5.24%, measured in terms of the value of executed construction works, as well as a drop in effective working hours of 6.10%.

In April 2022, the average number of employed persons amounted to 217,520, which is an increase of 2.94% compared to December 2021 and 22.25% more in relation to April last year. The number of unemployed persons amounted to 50,552 in April this year, which represents a decrease of 11.91% in relation to December 2021 and the year-on-year decline of 10.42%.

As at 30 April 2022, of 53,439 business entities registered as active in the Central Registry of Business Entities and having active accounts in the Central Registry of Transaction Accounts, a total of 15,690 or 29.36% were blocked. Compared to the previous month, the number of blocked business entities was 0.15% lower, while compared to the same month of 2021, its growth stood at 1.29%. At end-April this year, the total amount of debt used as the basis for the blocking of accounts amounted to 894.65 million euros, showing a monthly and the annual increase of 0.08% and 12.23%, respectively.

As at 30 April 2022, of the total number of business entities with blocked accounts (15,690) a total of 1,519 were under uninterrupted blockage up to 365 days, with blocked funds in the amount of 25,983,773.83 euros or 2.90% of the total amount of blocked funds, while the number of business entities under uninterrupted blockage for over 365 days amounted to 14,171 and the blocked funds amounted to 868,671,094.65 euros or 97.09% of the total amount of blocked funds of business entities.

As at the same date, debt concentration was relatively high since the top 10 debtors (0.06% of total blocked economic entities) accounted for 25.12% of the total debt. In addition, 50 of all blocked business entities (0.32%) accounted for 46.62% of the total debt used as the basis for account blocking.

The total assets of banks at end-April 2022 amounted to 5.57 billion euros, which represents the annual growth of 899.23 million euros or 19.26%. In terms of the structure of balance sheet of banks, total loans made up the main share and reached 3,548.80 million euros at end-April this year, which is the year-on-year increase of 7.69% and the month-on-month growth of 3.17%.

Past due loans (without interests, and prepayments and accruals) amounted to 186.10 million euros at end-April 2022, which is the year-on-year increase of 9.16% and 7.27% decline in relation to the previous month. At end-April this year, non-performing loans (without interests, and prepayments and accruals) amounted to 220.28 million euros and they accounted for 6.21% of total loans. They recorded a

21.15% increase year-on-year, but they dropped by 1.52% compared to March this year.

Bank deposits amounted to 4,377.30 million euros in April 2022 and they recorded an annual increase of 25.60% but also a 2.26% growth in relation to the previous month. Total capital of banks amounted to 615.34 million euros, which is an increase of 2.34% in relation to the corresponding period of the previous year, but also an increase of 0.56% in relation to the previous month.

The weighted average lending effective interest rate (WALEIR) on total loans approved amounted to 5.58% at end-April this year, which represents a year-on-year decline of 0.23 pp and the monthly decrease of 0.01 pp. The WALEIR on new loans amounted to 5.71%, recording the year-on-year decline of 0.20 pp and a 0.27 pp increase month-on-month. The weighted average deposit effective interest rate (WADEIR) amounted to 0.30% at end-April this year, recording the year-on-year decline of 0.10 pp and a monthly decrease of 0.01 pp.

At end-April this year, reserve requirement of banks amounted to 224.47 million euros, recording the year-on-year rise of 39.80 million euros or 21.55% and the month-on-month increase of 3.20 million euros or 1.45%. During this month, all banks allocated and maintained reserve requirements within the prescribed limits. Of the total allocated reserve requirements, 62.88% were allocated to the reserve requirement account in the country, whereas 37.12% was held on the CBCG foreign accounts.

Gross insurance premium amounted to 34.87 million euros during the first four months of 2022. Non-life insurance premiums accounted for the main share in its structure with 82.18%, while invoiced life insurance premiums accounted for 17.82%.

The generated turnover on the Montenegro Stock Exchange amounted to 2.06 million euros during the reporting four-month period, achieved through 299 transactions and being 10.15 times lower in relation to the same period of the previous year. As at 30/04/22, stock exchange capitalisation amounted to 3,273.76 million euros, recording both annual and monthly increase of 2.87% and 2.21%, respectively.

At the same time, the MONEX SE index stood at 10,057.02 index points, recording a 8.61% annual decline and the monthly increase of 1.46%. The MNSE10 SE index

amounted to 790.67 index points, recording an annual increase of 4.88% and the monthly increase of 1.52%.

According to the Ministry of Finance preliminary data, current revenues of the budget for the first four months of 2022 amounted to 598.55 million euros and they were 13.37% higher than planned and 21.53% higher year-on-year. Budget expenditure reached 634.92 million euros and they were lower than planned by 7.30% and compared to the same period last year lower by 0.15%. The budget deficit amounted to 36.37 million euros or 0.69% of the estimated annual GDP.

According to the Ministry of Finance data, gross government debt of Montenegro amounted to 4,064.40 million euros or 76.59% of GDP as at end-March 2022. Of this amount, domestic debt accounted for 393.21 million euros or 7.41% of GDP, while the external debt accounted for 3,671.19 million euros or 69.18%. The net state debt of Montenegro amounted to 68.13% 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. Inter alia, the CBCG representatives participated at the constitutive session of the working group for negotiation chapter 32 - Financial Supervision. The constitutive sessions of the working group for Chapter 4 - Free Movement of Capital, Chapter 9 - Financial Services, and Chapter 17 - Economic and Monetary Policy were also held. As a part of the bilateral technical cooperation with the partner central banks, a bilateral visit was paid to the Bank of Slovenia, and the topics covered were related to the implementation of supervisory activities in accordance with Basel III standards.

With a view to fostering and maintaining a sound banking system, Montenegro's banking sector was subject to continuous supervision and analysis. International reserves were managed in line with the principles of liquidity and safety. Activities regarding the Central Bank's function of the fiscal agent were also successfully performed. In April, the availability of the RTGS and DNS systems was 100%.

In line with the highest transparency standards, the general public was timely informed about the activities, objectives, 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.