

The Governor's Report – December 2022

The Governor's Report for December 2022 provides an overview of key activities of the Central Bank concerning the implementation of objectives and tasks defined by the Central Bank of Montenegro Policy for 2022, on monthly level.

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

According to preliminary Monstat data, Montenegro's real annual GDP increased by 6.1% in 2022.

In December 2022, consumer prices were 0.1% higher compared month-on-month, and 17.2% higher y-o-y.

In 2022, industrial output recorded the year-on-year decrease of 3.3% according to preliminary MONSTAT data. Production decrease of 10.8% was recorded in the electricity, gas and steam supply sector, while growths were recorded in manufacturing industry and the mining and quarrying sector of 0.3% and 8.9%, respectively.

According to preliminary data, the number of tourist arrivals in collective accommodation establishments amounted to 1.17 million euros in 2022, which is 59.63% more than in 2021. At the same period, tourist overnights reached 4.32 million, which is the year-on-year growth of 46.35%.

According to preliminary MONSTAT data, passenger transport recorded a significant year-on-year increase in all types of transport in 2022 whereby that via railways increased by 41.72%, road by 58.14% and passenger transport at airports rose 41.47%.

In 2022, according to preliminary Monstat data, construction recorded a decrease of 4.44% y-o-y, measured in terms of the value of executed construction works, as well as a decrease of effective working hours of 2.89% y-o-y.

In December 2022, the average number of employed persons amounted to 227,151, or by 0.15% less compared to the previous month and by 7.50% more in relation to

December 2021. At the same time, the number of unemployed persons amounted to 46,596, which represents a monthly increase of 0.45%, and a year-on-year decrease of 18.80%.

The total number of economic entities that are listed as active in the Central Register of Economic Entities, and that have active accounts in the Central Register of Transaction Accounts as of 31 December 2022, amounted to 57,784, of which 16,102 or 27.86% were blocked. Compared to the previous month, the number of blocked economic entities increased by 0.79% and by 2.84% compared to the same month in 2021. At end-December 2022, the total amount of debt used as the basis for freezing the accounts of economic entities amounted to 971.53 million euros, showing both monthly and annual increase of 0.56% and 13.33%, respectively.

Of the total number of blocked economic entities on 31 December 2022 (16,102), there were 1,489 economic entities in continuous blockade for up to 365 days, whose blockade amounted to 39,384,357.37 euros, which is 4.05% of the total amount of blocked economic entities, while there were 14,613 economic entities in continuous blockade for more than 365 days with blocked amount of 932,152,874.22 euros, which makes 95.95% of the total amount of blocked funds of economic entities.

Debt concentration as at 31 December 2022 was relatively high, because the 10 largest blocked economic entities (0.06% of the total recorded blocked economic entities) accounted for 26.87% of the total debt on the basis of which accounts were blocked. In addition, 50 of all blocked economic entities (0.32%) accounted for 48.27% of the total debt used as the basis for account freeze.

Banks' total assets at end-December 2022 amounted to 6.41 billion euros, which represents the annual growth of 1.08 billion euros or 20.25%. In terms of the structure of balance sheet of banks, loans make up the dominate share. At end-December 2022 total loans amounted to 3,661.87 million euros, which is 0.65% lower in relation to the previous month yet 8.97% higher in relation to December 2021.

At end-December 2022, non-performing loans (without interests, and prepayments and accruals) amounted to 209.46 million euros and made up 5.72% of total loans. They recorded a 1% increase year-on-year, but they were 1.06% lower compared to the previous month.

Total banks' deposits amounted to 5,224.28 million euros in December 2022 and they recorded an annual increase of 24.35%, and a 3.05% growth in relation to

November 2022. Total capital of banks amounted to 680.16 million euros, which is an increase of 12.31% year-on-year, and 4.42% higher month-on-month.

The weighted average lending effective interest rate on total loans granted amounted to 5.92%, which represents a monthly increase of 0.11 pp and the year-on-year growth of 0.26 pp. The weighted average lending effective interest rate on new loans amounted to 6.55%, recording the year-on-year increase of 1.72 pp and a 0.11 pp increase month-on-month. The weighted average deposit effective interest rate amounted to 0.26% and it saw both monthly and the year-on-year declines of 0.01 pp and 0.08 pp, respectively.

At end-December 2022, reserve requirement of banks amounted to 263.07 million euros, recording an annual rise of 46.01 million euros or 21.20% and a monthly increase of 2.10 million euros or 0.81%. All banks allocated and maintained reserve requirements within prescribed limits over the course of the reporting month. Of the total allocated reserve requirement, 68.32% were allocated to the reserve requirement account in the country and the remaining 31.68% was held on the CBCG foreign accounts.

Gross insurance premium in 2022 was 108.28 million euros. Non-life insurance premiums accounted for the main share in its structure with 80.26%, while invoiced life insurance premiums accounted for 19.74%.

The value of trade on the Montenegro Stock Exchange amounted to 78.18 million euros, achieved through 2,390 transactions and being 68.25% higher in relation to the same period of the previous year. Market capitalisation as at 31 December 2022 amounted to 3,560.92 million euros, recording an annual increase of 11.67%, but also a monthly growth of 7.57%.

At the same time, the MONEX SE index stood at 14,141.35 index points, recording a 12.09% monthly growth, and the annual increase of 43.31%. The MNSE10 SE index amounted to 1,009.24 index points, recording an annual increase of 31.98% and a monthly increase of 13.32%.

According to the Ministry of Finance preliminary data, source revenues of the budget in 2022 amounted to 2,010.37 million euros and they were 4.11% higher than planned and 5.18% higher year-on-year. Budget expenditures reached 2,270.59 million euros and they were 4.77% lower than planned and 12.91% higher at the annual level. The fiscal deficit amounted to 260.22 million euros and accounted for 4.49% of GDP.

According to the Ministry of Finance data, Government debt amounted to 3,999.75 million euros or 69.00% of GDP at end-September this year. Of this amount, a total of 375.25 million euros or 6.47% of GDP referred to domestic debt, while external debt accounted for 3,624.50 million euros or 62.53%. Public debt of Montenegro amounted to 4,162.79 million euros or 84.01% of GDP as at end-2021.

The Central Bank continued with activities aimed at meeting the requirements on Montenegro's road towards EU accession. Among other things, the participation in the meeting with the representatives of the EU Delegation in Montenegro was realized, on the occasion of future projects for which the CBCG plans to apply from EU pre-accession funds. As a part of the implementation of the second phase of the regional IPA project, a workshop on central bank communication was held at the Bank of Spain. Within the framework of the same project, the first expert mission of the Croatian National Bank was carried out on the topic of monetary statistics, during which activities on the development of financial account statistics of the non-financial sector continued. Additionally, an expert *TAIEX* mission under the title *Support in straightening the capacities in the internal capital adequacy assessment process (ICAAP) and Recovery plan evaluation* was realized.

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. RTGS and DNS systems availability amounted to 100% in December.

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.