

Summary of the Governor's Report – April 2017

Updated: 16 November 2017

The Governor's Report for April 2017 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 2017 and Guidelines for the Implementation of the Central Bank of Montenegro Policy for 2017, 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 2017.

Preliminary Monstat data show that in 2016 Montenegro's real GDP growth rate amounted to 2.5%, based on quarterly estimates. In Q1 2017, the real growth amounted to 3.2% y-o-y.

In April 2017, prices recorded monthly increase of 0.1%, while the annual inflation rate in April amounted to 2.3%.

In the first four months of 2017, industrial output recorded a y-o-y decrease of 10.5%. The decline was recorded in the manufacturing industry sector (-14.8%), while there was a decline in the electricity, gas and steam supply sector (-22.3%) and in the mining and quarrying sector (135.3%). In the first four months of 2017, the number of tourist arrivals in collective accommodation establishments recorded a y-o-y increase of 20.8%, while overnights increased by 15.9%.

MONSTAT data show that in Q1 2017, air passenger transport recorded a y-o-y growth of 13.5%, while air freight transport increased by 0.5%. Over the same period, road passenger transport increased by 0.7%, while road freight transport grew by 1.6%. In Q1 2017, railway passenger transport recorded a y-o-y decrease of 20.3%, while railway freight transport increased by 85.2%.

During the first four months of 2017, production of wood products amounted to 39,653 m³, which is a y-o-y increase of 29.1%. According to preliminary Monstat data, in Q1 2017, construction recorded a y-o-y increase of 37.5% in the value of executed construction works, and a y-o-y increase of 24.8% in the effective working hours.

In April 2017, the average number of employed persons amounted to 181,687, which is a monthly increase of 1.1% and a y-o-y increase of 4%. The number of unemployed persons in this month amounted to 52,856, which represents a monthly decrease of 0.1%, and a y-o-y increase of 27.4%.

At end April 2017, out of 83,039 legal persons and entrepreneurs*, the accounts of 15,582 or 18.8% were frozen. The number of frozen accounts of legal persons and entrepreneurs recorded a monthly decline of 0.1% and an annual growth of 2.8%. At end-April 2017, the total amount of debt used as the basis for the account freeze amounted to 622.5 million euros, showing a monthly increase of 0.4% and an annual increase of 9.9%.

As at 30 April 2017, debt concentration was relatively high, considering that the top 10 debtors (0.06% of the total number of recorded debtors) accounted for 12.9% of the total debt used as the basis for the account freeze. Moreover, the top 50 debtors (0.3% of the total number of recorded debtors) accounted for 35.8% of the total debt used as the basis for the account freeze.

At end-April 2017, total assets and liabilities of banks amounted to 3,840.9 million euros, recording a monthly increase of 1.2%. The main share in the structure of aggregate balance sheet of banks referred to loans. At end-April 2017, loans amounted to 2,568.1 million euros, recording a monthly increase of 2.5%, and a y-o-y increase of 8.8%.

In the structure of liabilities, deposits made up the main share of 74.6%. In April 2017, deposits in banks amounted to 2,865.4 million euros, which represents a monthly increase of 0.3% and a y-o-y increase of 9.8%. Total capital of banks at end-April 2017 amounted to 500.7 million euros, which is an increase of 0.9% in relation to the previous month and a y-o-y increase of 5.5%.

In April, past due loans (without interests, and prepayments and accruals) amounted to 289.7 million euros, which is a monthly decline of 1.7%% and a y-o-y decline of 14.9%. At end-April 2017, non-performing loans (without interests, and prepayments and accruals) amounted to 243.6 million euros and made up 9.5% of total loans. In relation to the previous month, non-performing loans of banks decreased by 1.9%, while they recorded an annual decrease of 16.7%.

The weighted average lending effective interest rate (WALEIR) on total loans granted amounted to 7.12% at end-April 2017, which represents a monthly decrease of 0.09 percentage points and a y-o-y decrease of 1.12 percentage points. The weighted average effective interest rate (WAEIR) on new loans amounted to 6.53% in April 2017, which represent a monthly increase of 0.16 percentage points, and a decrease of 1.12 percentage points in relation to April 2016. The weighted average effective deposit interest rate (WAEDIR) amounted to 0.87% at end- April 2017 recording a monthly decline of 0.02 percentage points and a y-o-y decline of 0.27 percentage points.

At end-April 2017, reserve requirement of banks amounted to 222.5 million euros, recording a monthly decrease of 45.1 million euros or 16.9%, while in relation to the corresponding period of the previous year it decreased by 21.3 million euros or 8.7%. In April 2017, all banks allocated and maintained the prescribed amount of reserve requirements. In the total amount of allocated reserve requirement, 54.1% was allocated to the reserve requirement account abroad, while 45.9% was at the CBCG account in the country.

In April 2017, the gross insurance premium amounted to 6.6 million euros. Non-life insurance premiums still accounted for the main share in its structure with 82,6%, while invoiced life insurance premiums accounted to 17,4%.

In April 2017, Montenegro Stock Exchange recorded a turnover in the amount of 2.9 million euros, through 768 transactions. The turnover was by 18.6% lower in relation to the previous month. As at 30 April 2017, the stock exchange capitalisation amounted to 2,867.1 million euros, recording a monthly decline of 1.5%.

The MONEX index, which stood at 11,244.52 index points at end-April 2017, declined by 5.8%% in relation to the end of the previous month. The MNSE10 index amounted to 895.90 index points and decreased by 9.1% in relation to the previous month.

The Ministry of Finance estimated that Montenegro's fiscal surplus amounted to 2.8 million euros or 0.1% of estimated annual GDP in April 2017. Source revenues of the budget of Montenegro amounted to 124.9 million euros or 3.2% of estimated annual GDP, exceeding the plan for April by 1.4%. In relation to April 2016, source revenues recorded an increase of 9.5%. Budget expenditure amounted to 122.1 million euros or 3.1% of GDP which is by 18.2% below the plan for April 2017, and by 8.8% below the expenditures recorded in April 2016.

According to the Ministry of Finance data, at the end of March 2017, Montenegro's gross government debt amounted to 2,483 million euros or 63.2% of GDP. In that amount, domestic debt accounted for 481.3 million euros or 12.3% of GDP, while external debt accounted for 2,001.7 million euros or 50.9% of GDP. Net government debt amounted to 61.6% of GDP.

With a view to fostering and maintaining a sound banking system, Montenegro's banking sector was subject to ongoing 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 representatives of the CBCG met with the Bundesbank experts in reference to the TAIEX Mission regarding the initiation of a survey on the banks' lending activity. CBCG representatives also took part in the meeting of the Working group for the implementation of ESA methodology in the Montenegrin public finance. CBCG also participated in the meeting of the Balance of Payments Working Group in Luxembourg. In addition, CBCG took part in the meeting of the Implementation Board of the Cooperation Agreement in the Field of Statistics of National Accounts of General Government Sector and associated Statistics.

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.

**** It should be considered that this number also includes the following persons: legal persons and entrepreneurs that were deleted from the CRPS but the accounts of which have not yet been deleted from the Central Registry of Transaction Accounts; legal persons that fail to submit annual financial statements although they are legally obligated to, and legal persons and entrepreneurs that have made no tax obligations or payments in the previous year.***