



MINISTRY OF FINANCE
DIRECTORATE FOR ECONOMIC POLICY AND DEVELOPMENT

MONTHLY MACROECONOMIC INDICATORS

JANUARY 2020

KEY NOTES

- Average inflation in the Eurozone in 2019 was 1.2%
- High growth in overnight stays in tourism of 11.2% in 2019
- Average annual inflation in 2019 was 0.4%
- Unemployment rate at the end of 2019 was 16.2%
- Collection of budget revenues in 2019 recorded growth of 8.0% and 2.8% compared to the 2018 and the plan, respectively
- Banks' profit at the end of the year was €51.4 Mill.
- Export of goods in 2019 was worth €415.5 Mill. and it has increased by 3,8% at the annual level
- Net FDI in 2019 amounted to €344,7 Mill. and were higher 6,9% on an annual basis



External Environment

Annual inflation rate in December in the Eurozone was 1.3%, with the lowest annual rate recorded in Portugal (0.4%) in Italy (0.5%), and the highest one in Slovakia (3.2%) and the Netherlands (2.8%). Average annual inflation for 19 member states of the Eurozone in 2019 was 1.2%. Unemployment in the Eurozone was additionally decreased in December to 7.4%, which makes annual average of 7.6%.

Real Sector and Inflation

In 2019, Montenegro was visited by 20.1% more tourists with 11.2% more overnight stays y-o-y in collective accommodation. In 2019, the biggest share in the overnight stays structure was by tourists from Russia (15.2%), Serbia (12.6%), France (8.0%) and Germany (7.8%). In 2019, the value of completed works in construction was higher 10.7% at the annual level, while the number of work hours at construction sites increased by 4.2% y-o-y. Industrial production recorded a decline of 6.3% y-o-y in 2019, mostly due to decrease of production in manufacturing of 10.0% as well as lower production of electricity by 7.1%. Average annual inflation in 2019 was 0.4%, while the highest increase in consumer prices at the annual level was recorded with 'food and non-alcoholic beverages' category (3.1%), while on the other hand the biggest price drop was recorded with „clothing and shoes“ category (5.2%). In 2019, industrial producer's prices were higher by 2.4% y-o-y, import prices increased by 1.4% y-o-y, while export prices recorded drop of 2.0% compared with 2018.

Unemployment and Wages

In 2019, average number of employed was 203.545 and it is higher by 7.1% y-o-y. Average number of the unemployed was 36,693 or 15.9% less y-o-y. Registered unemployment rate of the Employment Agency of Montenegro was 16.2% at the end of year, which is 1.6 p.p. lower in comparison to the end of 2018. Average gross wage in 2019 was €773 and it is higher by 0.9% y-o-y, while the net wage grew at the rate of 0.8% and it was €515 on average.

Fiscal Sector

In 2019, budget revenues were €1,885.1 mill. which is 2.8% higher compared with the plan, and 8.0% higher compared with 2018. It is the result of positive macroeconomic developments, collection of tax receivables pursuant to the Law on Restructuring Tax Receivables, implementing the redefined excise policy, and heightened inspection supervision. In 2019, budget expenditures were €2,028.8 mill. and they are higher than planned and than in 2018 by 2.6% and 5.9% respectively. Expenditures are higher due to calling on state guarantee related to the wastewater purifying system in Budva and higher allocations of funds for defence field. In 2019, there was a budget deficit of €143.9 mill. or 2.98% of GDP.

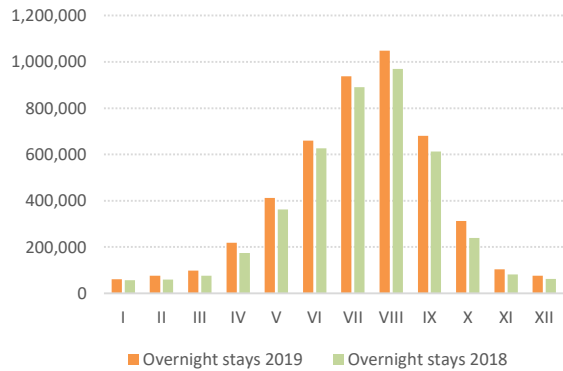
Financial Sector

Banking sector is stable and capitalised adequately, which is also reflected through the positive financial result of €51.4 mill. achieved in December 2019, which is over two times higher compared with the previous year. The total bank loans were €3,061.7 mill. which is increase of 4.5% y-o-y, contributed by increase of loans to companies by 4.1% and loans to households by 8.6%. Non-performing loans were €144.6 mill. in December and recorded decline of 26.6% y-o-y or €52.3 mill, while their share in the total loans decreased by 2.1 p.p. compared to December 2018. In 2019, newly approved loans were €1,234.6 mill. and they increased by 4.9% y-o-y. Total deposits, amounting to €3,475.7 mill, increased by 0.5% y-o-y. If two banks in bankruptcy are excluded from the previous year December's data, then the deposit growth at the annual level amounts to 8.0%. Out of the total of 73,544 legal entities, 18,256 or 24.8% were blocked, which is 1.8 % more at the annual level. The total debt based on the blocked accounts was €641,8 mill. and has decreased by 2.8% compared to the same month of the previous year.

Foreign Trade Exchange

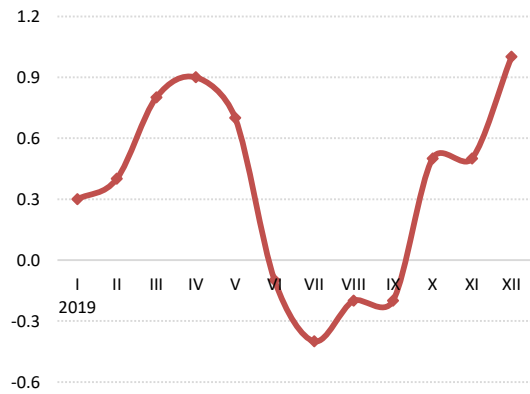
In 2019, the total goods exchange of Montenegro was €3.1 bill, with the growth of 2.1% y-o-y. Export of €415.5 mill. recorded slower growth of 3.8% compared to previous year (7.7%), as a consequence of lower growth rate of export of electricity and pharmaceutical products, as well as decline in aluminium export by 14.6%. Import of goods in the amount of €2.6 bill. grew at a rate of 1.8% y-o-y. Import of machinery and transport means, declining by 9.5%, has significantly affected the total import fluctuation. The biggest share in the import structure belong to machinery and transport means (€577.7 mill.), food and live animals (€474.3 mill.), metal and non-metal mineral products (€250.9 mill.), oil and oil derivatives (€211.6 mill.). In 2019, Montenegro was lacking 37.4% of the total energy needs, mostly due to the need for importing oil and natural gas, which makes 40.4% of the total energy needs in Montenegro. Also, electricity deficit was covered by imports, which was increased by €25.0 mill. or 66.8% higher y-o-y. Net inflow of foreign direct investments in the January-December 2019 period was €344.7 mill, which is an increase of 6.9% y-o-y. The total FDI inflow was €770.0 mill. and it is lower by 10.3% y-o-y, due to decreased equity investment inflow by 20.7%. Share of equity investment (investing in companies and banks and investing in real estate) in the total inflow structure was 53.5%. Share of investments in companies and banks was 31.5% (decline of 28.1% y-o-y), investment in real estate 22.1% (decline of 6.9% y-o-y). Share of inflow for inter-company debt in the total inflow was 41.8% (increase of 7.2% y-o-y) and of the category – other was 4.7%. The total outflow was €425.2 mill, which is 20.6% less y-o-y.

Graph 1 Tourist overnight stays in collective accommodation



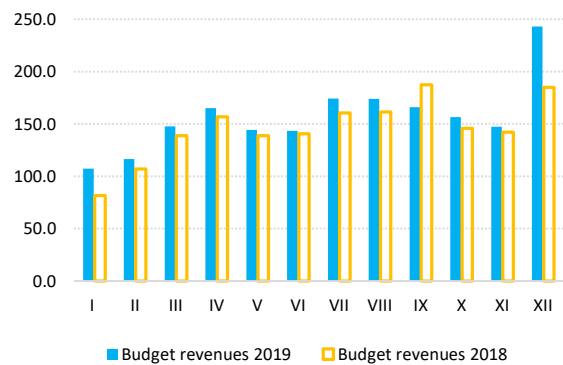
...In 2019, there were 4,7 mill. tourist overnights...

Graph 2 Inflation, CPI, annual rate in %



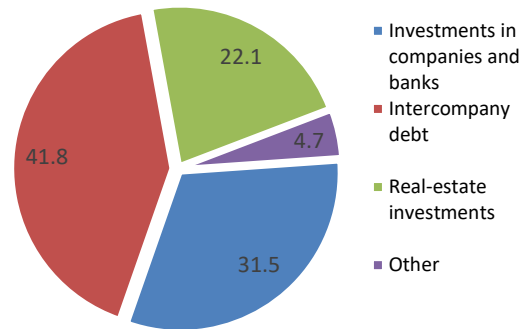
...Average inflation in 2019 was 0,4%...

Graph 3 Budget revenues, in € mill.



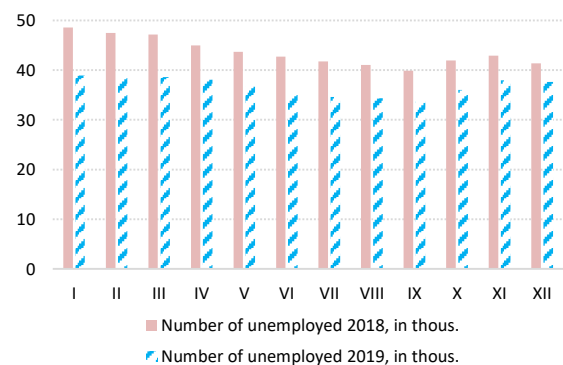
...Budget revenue collection higher 8% compared to 2018...

Graph 4 Total FDI inflow structure in 2019, in %



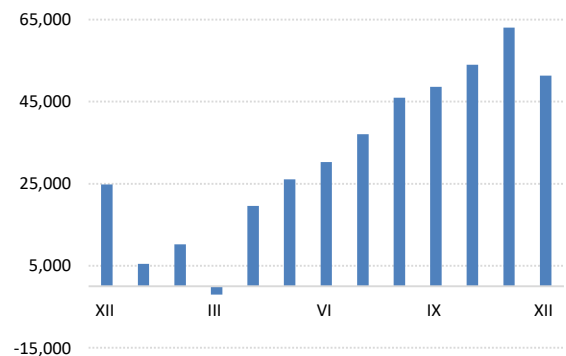
...Total FDI inflow in 2019 was €770 mill...

Graph 5 Labour Market Movements



...Strong decline in the number of unemployed in 2019...

Graph 6 Banks' Profit, in thousand €



...During 2019, banks recorded profit of €51,4 mill...

Table 1 Real Sector (Source: Monstat)

Real Sector	XII 2018	I 2019	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	M-o-M	XII 2019 - Y-O-Y	2019/2018 Y-O-Y
Industry																
Industrial production	19.1	-8.9	-12.8	-20.1	-27.6	-4.8	5.6	5.0	-2.8	-1.8	-6.3	-9.0	10.0	19.9	10.0	-6.3
Manufacturing	34.8	-2.6	5.6	-4.1	-3.9	-11.4	-2.6	3.3	-4.9	-17.6	-10.1	-36.1	-15.6	15.4	-15.6	-10.0
Mining and quarrying	-18.1	-11.5	10.9	30.8	19.7	30.7	7.5	14.3	15.4	31.1	28.9	16.5	55.6	25.3	55.6	20.8
Supply of electricity, gas and steam	11.0	-13.1	-27.9	-38.3	-64.8	-0.6	19.4	5.2	-4.1	24.2	-10.6	39.5	37.3	22.9	37.3	-7.1
Tourism																
Tourism arrivals	31,849	26,986	38,741	56,219	94,911	125,492	160,395	190,322	220,915	165,205	116,962	55,654	41,387	-25.6	29.9	20.1
Overnight stays in tourism	61,832	59,991	75,806	98,662	218,028	411,359	659,629	937,096	1,048,037	680,033	312,975	103,459	75,712	-26.8	22.4	11.2
Retail turnover																
Constant prices	4.6	4.9	6.1	5.6	5.4	4.4	5.2	5.8	6.5	4.6	5.7	4.9	3.5	14.4	3.5	5.2
Current prices	5.1	5.1	6.5	6.8	6.8	5.8	6.2	6.6	6.4	4.6	6.4	5.6	4.8	14.1	4.8	6.0

Table 2 Inflation (Source: Monstat)

Inflation – growth rates	XII 2018	I 2019	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	M-o-M	XII 2019 - Y-O-Y	2019/2018 Y-O-Y
Consumer price index	1.6	0.3	0.4	0.8	0.9	0.7	-0.1	-0.4	-0.2	-0.2	0.5	0.5	1.0	-0.1	1.0	0.4
Harmonised Consumer price index	1.5	0.3	0.3	0.7	0.9	0.6	-0.1	-0.4	-0.2	0.3	1.2	0.9	1.2	0.0	1.2	0.5
Producer price index	2.4	1.8	1.5	1.2	3.3	1.9	2.9	2.9	2.9	2.8	2.6	2.3	2.3	-0.1	2.3	2.4

Table 3 Labour market (Source: Monstat, Montenegro Employment Agency, Pension and Disability Insurance Fund)

Labour market	XII 2018	I 2019	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	M-o-M	XII 2019 - Y-O-Y	2019/2018 Y-O-Y
Number of employed, in thousands.	194,085	194,589	195,353	197,594	200,595	205,164	213,488	215,181	210,455	205,650	202,787	203,123	198,566	-2.2	2.3	7.1
Number of unemployed	41,378	38,917	38,642	38,570	38,102	36,658	35,292	34,576	34,355	33,675	35,993	37,924	37,616	-0.8	-9.1	-15.9
Unemployment rate (%) ¹	18	17	17	17	16	16	15	15	15	15	15	16	16	0.0	-1.6	-3.0
Average gross wage (€)	771	771	772	765	767	770	775	767	776	775	776	778	781	0.4	1.3	0.8
Average net wage (€)	513	513	514	510	511	513	516	511	517	516	517	518	520	0.4	1.4	0.8
Average pension (€)	284	289	289	289	289	289	289	289	288	288	288	288	287	-0.1	1.3	1.3

¹ Changes (M-o-M, XII 2019 Y-O-Y i 2019/2018 Y-O-Y) shown in p.p.

Table 4 Monetary Sector (Source: Central Bank of Montenegro)

Monetary Sector	XII 2018	I 2019	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	M-o-M	XII 2019- Y-O-Y
Total loans (in € mil.)	2,930.2	2,939.8	3,010.6	3,028.8	2,945.6	2,939.2	2,950.3	3,002.6	3,033.7	3,036.0	2,988.2	3,091.4	3,061.7	-1.0	4.5
Loans to economy (in € mil.)	1,031.1	1,035.3	1,053.1	1,071.3	1,049.5	1,067.2	1,061.2	1,058.3	1,044.7	1,036.1	1,049.6	1,057.5	1,074.6	1.6	4.2
Loans to households (in € mil.)	1,250.9	1,259.3	1,270.4	1,287.2	1,273.2	1,284.4	1,295.3	1,300.2	1,303.4	1,319.0	1,332.5	1,342.1	1,357.7	1.2	8.5
Late payments loans (in € mil.)	197.6	236.7	206.9	217.8	155.6	181.0	149.7	139.5	150.3	136.5	139.2	139.1	115.3	-17.1	-41.7
Non-performing loans (in € mil.)	202.4	184.4	184.0	178.1	139.7	139.6	141.4	148.6	144.0	141.8	142.2	142.9	144.6	1.2	-28.6
Total deposits (in € mil.)	3,459.2	3,416.9	3,482.9	3,433.6	3,323.8	3,303.6	3,260.7	3,419.1	3,535.0	3,514.8	3,488.8	3,550.8	3,475.7	-2.1	0.5
Economy deposits (in € mil.)	1,099.4	1,080.3	1,078.6	1,065.8	0,976.3	0,982.4	0,980.8	1,064.3	1,134.7	1,113.6	1,106.4	1,107.0	1,048.5	-5.3	-4.6
Households deposits (in € mil.)	1,327.5	1,285.7	1,276.5	1,249.2	1,202.3	1,214.0	1,215.5	1,253.7	1,289.2	1,299.9	1,305.5	1,314.1	1,316.6	0.2	-0.8
Loan interest rate	6.4	6.3	6.3	6.3	6.2	6.2	6.2	6.2	6.2	6.2	6.1	6.1	6.0	-0.1	-0.4
Deposit interest rate ²	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.0	-0.2
Compulsory reserve (in € mil.)	251.9	249.7	250.3	252.1	243.6	243.4	245.4	244.2	248.0	258.1	262.8	258.2	260.1	0.8	3.3

Table 5 External Sector (Source: Monstat and Central Bank of Montenegro)

External Sector	XII 2018	I 2019	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	M-o-M	XII 2019 - Y-O-Y	2019/2018 Y-O-Y
Export of goods (in € mill.)	34.9	28.2	32.0	33.4	31.5	30.1	36.8	36.5	34.4	37.5	39.6	33.4	42.0	25.6	20.5	3.8
Import of goods (in € mill.)	216.5	128.8	179.8	215.2	241.7	239.2	235.1	259.5	226.8	223.0	229.2	205.4	216.6	5.5	0.0	1.8
Goods exchange deficit (in € mill.)	-181.7	-100.6	-147.7	-181.8	-210.2	-209.1	-198.3	-223.0	-192.4	-185.5	-189.7	-172.0	-174.6	1.5	-3.9	1.5
Net foreign direct investments (in € mill.)	19.5	44.2	7.8	30.7	18.5	31.0	95.0	14.2	17.9	7.3	23.2	24.9	29.9	20.0	53.6	6.9

Table 6 Fiscal Sector

Fiscal Sector	XII 2018	I 2019	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	XII 2019/XII plan	XII 2019 - Y-O-Y	2019/2018 Y-O-Y
Budget revenues (mill.€)	185.0	107.3	116.5	147.5	165.0	144.2	143.4	174.1	174.1	165.9	156.6	147.3	243.1	25.7	31.4	8.0
Budget expenditures (mill.€)	256.1	139.6	130.9	172.1	154.9	146.2	144.3	179.4	159.6	149.4	179.3	197.2	275.8	88.8	7.7	5.9
Budget surplus/deficit (in € mill.)	-71.1	-32.3	-14.4	-24.6	10.1	-1.9	-0.9	-5.3	14.4	16.5	-22.7	-49.9	-32.7	n/a	-54.0	-15.0
Budget surplus/deficit (% GDP)	-1.5	-0.7	-0.2	-0.5	0.2	-0.1	0.0	-0.1	0.3	0.3	-0.5	-1.0	-0.7	n/a	n/a	n/a

Table 7 International Environment

External Environment	XII 2018	I 2019	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	M-o-M	XII 2019 - Y-O-Y	2019/2018 Y-O-Y
Brent crude oil (USD/barrel)	57.80	60.50	64.10	66.80	71.30	70.46	62.96	64.21	59.51	62.62	59.70	62.66	65.30	4.2	13.0	3.1
Aluminium (USD/T)	1920.4	1853.7	1863.0	1871.2	1845.4	1781.3	1756.0	1797.0	1740.7	1753.5	1726.0	1774.8	1771.4	-0.2	-7.8	-7.0
Euribor (12 months)	-0.12	-0.11	-0.11	-0.11	-0.11	-0.18	-0.22	-0.30	-0.38	-0.33	-0.28	-0.27	-0.25	0.0	-0.1	-0.1
Inflation in Eurozone ³	1.50	1.40	1.50	1.40	1.70	1.20	1.30	1.00	1.00	0.80	0.70	1.00	1.30	0.3	-0.2	-0.6
Unemployment in Eurozone	7.8	7.8	7.8	7.7	7.6	7.6	7.5	7.6	7.5	7.5	7.5	7.5	7.4	-0.1	-0.4	-0.6

² Changes (M-o-M and XII 2019 Y-O-Y) shown in p.p.

³ Changes (M-o-M, XII 2019 Y-O-Y and 2019/2018 Y-O-Y) shown in p.p.