

**MONTENEGRO**

**MINISTRY OF FINANCE**

**Department for Economic Policy and Development**

**MONTHLY MACROECONOMIC INDICATORS**

**February 2014**

****

**KEY NOTES**

* **Industrial output grew in January 2014.**
* **Retail trade turnover declined**
* **Prices recorded a decline by -0.4% in January - annual level**
* **Unemployment rate reached 15%**

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| 1. **International Environment**
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| **The base aluminium price was at four-year minimum** (currently it amounts 1.674 USD/tonne), and one of the reasons for this was surplus of production capacities. In 2013, Rusal reduced production to 4 million tonne and it plans further reduction of production in 2014 to 3.5 million tonne. In addition, manufacturers must pay significantly higher price for current deliveries (premium). What has caused this? Some 5.5 million tonne of primary metal was stocked at London Metal Exchange (LME), while additional 6.5 million tonne of primary metal was in extra-institutional warehouses. The investors are waiting for favourable time to sell, as financing enormous stocks has never been so cheap. If something does not change in the LME policy or interest rates do not increase, the aluminium prices will be under additional pressure if closing of production capacities does not lower the offer. Euro exchange rate rose to 1.37USD/EUR. According to the preliminary estimates, inflation in Euro area amounted to 0.8% in February and unemployment rate was still at high 12%. |
| 1. Real Sector
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| **Available data for January 2014 shows that industrial output increased annually while retail trade turnover declined.** In January 2014, industrial output grew annually by 7.4%, as a result of growth in sectors “mining and quarrying” (13.8%) and “manufacturing industry” (39.8%), while annual decline of 12.2% was recorded in “electricity, gas and steam supply” sector. Retail trade turnover declined y-o-y by 1.9% in January 2014 (current prices) primarily as a result of high base from the last year (reclassification from wholesale chain stores into retail was made on 1 January 2013 which resulted in high growth rates of retail turnover throughout the year). The construction activity in Q4 2013 recorded growth of the value of executed works (27.9%) and executed effective working hours (36.4%) in comparison to Q4 2012. The value of executed construction works increased by 9.7%, executed effective working hours increased by 31.5%, and average number of employed at constructions grew by 27.3% compared to 2012.  |
| 1. **Prices**
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| **Consumer prices declined in January 2014 relative to December and January of the previous year.** Annual inflation rate, measured by the consumer price index, amounted to -0.4% January 2014, while monthly deflation of -0.8% was recorded compared to December 2013. The decline in annual inflation rate resulted from the decline in food prices (-0.8%), clothes and footwear (-1.3%), fuels (-2.1%) and telephone and fax equipment, telephone and fax services (-4.4%), whereby the main influence was recorded by the decline in food prices which accounted for 36.5% of total household consumption. Annual inflation rate, measured by the harmonized CPI, amounted to 0.1% in January 2014, while monthly deflation of -0.4% was recorded compared to December 2013. Producers’ prices recorded annual decline of -1.3% in January 2014 primarily as a result of decline in prices in manufacturing industry of -2.0% (food products -0.7%; beverages -4.0%). Annual inflation rate in EU was 0.9% in January 2014, while it was 0.8% in Euro area. |
| 1. **Employment and Wages**

**In January 2014, the number of unemployed was 34.804 and it represented the highest monthly level since May 2007.** The number of unemployed increased annually by 9.1% in January 2014, and unemployment rate increased from 13.7% (January 2013) to 15.0% (January 2014). Average number of employed amounted to 167.173 in January 2014 (it increased y-o-y by 0.1%). The number of employment applicants increased by 19.0% which primarily resulted from the increase in applicants with university degree (increase of 1.476). In January 2014, 1793 working permits were issued to foreigners, which showed y-o-y increase of 46.5%. Some 1.028 of vacancies was announced, which represented month-on-month increase of 99.6%. In January 2014, average wage amounted to 726 € or it declined annually by 0.7%. Net wage amounted to 478 €, and it declined by 2.4%, while real wage declined by 2% due to decline in prices in January. |  |
| 1. **Public Finance**

**Current revenues of the Budget of Montenegro amounted to 70.63 million € in January 2014, and they increased y-o-y by 29%, while their growth compared to the plan was 13%.** VAT collection was 32.2 million € in the observed month. It increased compared to plan by 17.8%, while it increased y-o-y by 29.4%. Revenues based on the collection of wage taxes and contributions increased y-o-y by 49.4% in January 2014 and 23.2% compared to the plan.**Budget expenditures** amounted to 94.14 million € in January 2014. They recorded y-o-y increase of 16.5 %, and decrease of 15.5% compared to the plan. **Budget deficit** was 23.5 million € in January 2014, and it showed decline of 52% compared to the plan, and y-o-y decline of 9.6 %. **Government debt** amounted to 1.873.15 million € at end-2013 or 56.15% of estimated GDP. It declined by 0.4 percentage points compared to the previous month. Internal debt amounted to 440.1 million €, and debt to non-residents was 1.433.0 million €. |  |
| 1. **Monetary Sector**

**The situation in the banking sector is stable. Total deposits and capital recorded annual growth, while lending activity declined.** Banks’ total **capital** amounted to 415.3 million €, which indicated the increase of 6.5% or 25.2 million € relative to the same month of the previous year. Total **deposits** amounted to 2.096.7 million € and recorded annual increase of 6.4%. Deposits of household sector, as the most important depositor of Montenegro’s banking system, amounted to 1.235.1 million €, which represented a y-o-y increase of 7.4%. Total **loans** and other receivables amounted to 2.407.9 million € at end-January 2014, and they declined monthly by 0.2% and annually by 3.0%. New loans amounted to 51.9 million € at the beginning of the year, whereby 50.3% referred to corporate and 26.9% referred to retail sector. The problem of **real sector illiquidity** and high level of non-performing loans still pose risks to financial stability. In January 2014, the accounts of 13.150 of enforced debtors were frozen, which represented an increase of 1.30% compared to the previous month. In addition, total amount of debt based on which accounts were frozen amounted to 448.0 million €, and it increased by 2.52% in comparison to the previous month and 4.1% annually. |  |
| 1. **Foreign Trade Exchange and Investments**

**The highest monthly FDI inflows was recorded in December 2013 and it amounted to 72.9 million €.** This resulted from the increase in inflows based on intercompany loans. Net FDI inflows amounted to 323.9 million € in 2013, which showed decline of 29.8% compared to 2012. Investments in companies and banks amounted to 15.9% (64.2% decline), investments in real estate 42.2% (10.7% decline), intercompany debt was 39.4% (16.2% increase) and others amounted to 2.5% (62.3% decrease). Total FDI outflows amounted to 155.3 million €, which was a decline of 9.8% compared to 2012. With regard to the outflows structure, the largest portion referred to the non-residents’ fund withdrawal (83.8%), of which liabilities based on intercompany debt were 76.1%, while investments of residents abroad amounted to 17.4%. **Foreign trade exchange amounted to 105.4 million € in January 2014**, which showed y-o-y decline of 23.7%. Exports amounted to 22.6 million €, while imports was 82.9 million €, which was a decline of 19.4% and 24.8%, respectively. Foreign trade deficit declined by 26.7% and it amounted to 60.3 million €, as a result of decline in visible trade. Import-export coverage amounted to 27.2% in January. Export of electricity (33.2% of total exports) declined by 20.0%, while export of aluminium declined by 9.0% (25.0% of total exports). With regard to imports, food and livestock accounted for the main share (21.8% of total imports) and mineral fuels and lubricants (18.7% of total imports with annual decline of 15.0%). Decline in electricity export and import resulted from the decline in the electricity production (12.0% in January) and KAP’s consumption as the largest electricity consumer. |  |

Table 1: **MACROECONOMIC INDICATORS**– January 2014

***Source: Monstat, Central bank, Employment Bureau of Montenegro***

*All indicators are presented as annual growth rates (indicators’ change rate of the observed month in comparison to the same month of previous year in %) unless differently stated in title*

*M-n-M stand for monthly change (indicators’ change rate of the observed month in comparison to the previous month in %) \*FDI data refers to December 2013*

Table **Macroeconomic Indicators**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Indicators** | **2013** | **II** | **III** | **IV** | **V** | **VI** | **VII** | **VIII** | **IX** | **X** | **XI** | **XII** | **2014** | **M-n-M** | **Jan 2014/Jan 2013** |
| **REAL SECTOR** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Industrial output (growth rate)** | 1,70 | -3,00 | 10,40 | 14,20 | 22,40 | 19,00 | 5,10 | 9,00 | 3,00 | 10,50 | 21,40 | 14,50 | 7,40 | -22,2 | 7,4 |
| **Manufacturing industry (growth rate)** | -36,40 | -32,80 | -34,40 | -28,20 | -11,50 | -11,10 | 11,70 | 4,70 | 6,50 | 22,70 | 28,20 | 48,80 | 39,80 | -38,2 | 39,8 |
| **Tourist overnights (growth rate)** | -8,30 | 4,20 | -1,40 | 2,30 | 7,30 | 4,50 | -3,60 | 4,30 | 30,30 | 30,30 | 1,10 | 22,10 | n.d | n.d | n.d |
| **Retail trade turnover (growth rate)** | 12,10 | 8,20 | 6,60 | 7,80 | 8,60 | 10,30 | 11,50 | 14,40 | 16,00 | 16,00 | 12,80 | 14,20 | -1,90 | -21,2 | -1,9 |
| **Value of works in construction industry (growth rate)** | 5,7 | -1,0 | 3,8 | 27,9 |   |   |   |
| **INFLATION** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Consumer Price Index /CPI/ (growth rate)** | 4,2 | 3,3 | 3,3 | 3,2 | 3,0 | 2,2 | 2,7 | 2,2 | 0,5 | 0,5 | 0,0 | 0,3 | -0,4 | -0,8 | -0,4 |
| **HCIP (growth rate)** | 3,8 | 3,1 | 3,0 | 2,4 | 2,1 | 1,5 | 2,2 | 1,7 | 0,3 | 0,3 | 0,0 | 0,4 | 0,1 | -0,4 | 0,1 |
| **Producers Price Index (growth rate)** | 4,6 | 3,9 | 4,2 | 4,0 | 4,1 | 2,3 | 2,2 | -2,0 | -0,9 | -0,9 | -1,1 | -0,6 | -1,3 | 0,1 | -1,3 |
| **EMPLOYMENT AND WAGES** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Employed (number, end of period)** | 167.370 | 167.379 | 167.738 | 170.302 | 174.369 | 179.861 | 178.815 | 176.588 | 169.044 | 169.044 | 167.607 | 167.173 | 167.616 | 0,3 | 0,1 |
| **Unemployed (number, end of period)** | 31.890 | 32.648 | 32.986 | 32.624 | 31.363 | 30.337 | 30.102 | 30.947 | 33.271 | 33.271 | 34.680 | 34.514 | 34.804 | 0,8 | 9,1 |
| **Unemployment rate (%)** | 13,7 | 14,1 | 14,2 | 14,1 | 13,5 | 13,0 | 13,0 | 13,3 | 13,3 | 14,3 | 14,9 | 14,9 | 15,0 | 0,7 | 9,5 |
| **Unemployment rate (LFS) (%)** | 21,5 | 19,3 | 17,8 |   |   |   |   |
| **Vacancies** | 515 | 583 | 1.182 | 2.826 | 1.719 | 1.430 | 853 | 1.495 | 796 | 796 | 648 | 1.130 | 1.028 | -9,0 | 99,6 |
| **Average monthly gross wage (€)** | 731 | 734 | 723 | 724 | 728 | 730 | 712 | 721 | 721 | 721 | 728 | 738 | 726 | -0,3 | -0,7 |
| **Average monthly net wage (€)** | 490 | 485 | 476 | 477 | 480 | 481 | 469 | 475 | 475 | 475 | 480 | 486 | 478 | -1,6 | -2,4 |
| **MONETARY SECTOR** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Total loans (cumulative, million €)** | 2.482,8 | 2.507,6 | 2.490,7 | 2.466,7 | 2.477,6 | 2.457,5 | 2.505,8 | 2.538,3 | 2.474,5 | 2.474,5 | 2.463,9 | 2.411,9 | 2.407,9 | -0,2 | 2,8 |
| **Total loans (growth rate)**  | 6,3 | 7,4 | 6,0 | 6,0 | 6,4 | 4,8 | 5,5 | 5,7 | 2,0 | 4,8 | 5,4 | 3,0 | -3,0 | -0,2 | 2,8 |
| **Non-performing loans /NPL/ (cumulative, million €)** | 457,1 | 455,7 | 465,3 | 480,8 | 492,9 | 441,3 | 447,0 | 441,9 | 438,6 | 438,6 | 428,3 | 423,2 | n.d | n.d | n.d |
| **NPL to total loans (%)** | 18,4 | 18,2 | 18,7 | 19,5 | 19,9 | 18,0 | 17,8 | 17,4 | 17,7 | 17,7 | 17,4 | 17,5 | 0,0 | -17,5 | -18,4 |
| **Total deposits (cumulative, million €)** | 1.969,8 | 1.990,1 | 1.999,3 | 1.951,5 | 1.974,4 | 2.009,7 | 2.075,0 | 2.144,3 | 2.104,3 | 2.104,3 | 2.084,9 | 2.098,6 | 2.096,7 | -0,1 | 6,4 |
| **Total deposits (growth rate)** | 6,3 | 7,4 | 6,0 | 6,0 | 6,4 | 4,8 | 5,5 | 9,7 | 5,2 | 7,1 | 5,1 | 6,0 | 6,4 | -0,1 | 6,4 |
| **Corporate loans (cumulative, million €)** | 1.013,2 | 1.019,0 | 1.026,5 | 1.029,1 | 1.027,9 | 990,5 | 970,2 | 947,6 | 951,1 | 951,1 | 955,2 | 948,4 | 942,6 | -0,6 | -7,0 |
| **Household loans (cumulative, million €)** | 857,4 | 861,1 | 865,8 | 872,5 | 875,1 | 880,9 | 882,5 | 880,6 | 886,8 | 886,8 | 887,1 | 881,3 | 881,1 | 0,0 | 2,8 |
| **Corporate deposits (cumulative, million €)** | 507,8 | 518,7 | 525,4 | 489,8 | 509,8 | 539,3 | 576,2 | 612,3 | 572,8 | 572,8 | 553,9 | 554,8 | 554,0 | -0,2 | 9,1 |
| **Individual savings (cumulative, million €)** | 1.150,4 | 1.158,7 | 1.165,0 | 1.165,1 | 1.162,4 | 1.164,7 | 1.192,9 | 1.218,1 | 1.218,1 | 1.218,1 | 1.221,0 | 1.237,7 | 1.235,1 | -0,2 | 7,4 |
| **Interest rate for loans** | 9,44 | 9,45 | 9,44 | 9,44 | 9,44 | 9,43 | 9,38 | 9,33 | 9,33 | 9,33 | 9,33 | 9,36 | 9,40 | 0,04 | -0,04 |
| **Interest rate for deposits** | 3,15 | 3,16 | 3,14 | 3,12 | 3,06 | 2,99 | 2,93 | 2,83 | 2,67 | 2,67 | 2,60 | 2,55 | 2,41 | -0,14 | -0,74 |
| **EXTERNAL SECTOR** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Export of goods (million €)** | 28,0 | 31,3 | 30,0 | 36,9 | 39,4 | 30,6 | 31,8 | 28,4 | 24,6 | 24,6 | 31,2 | 34,5 | -34,6 | -19,4 | -34,6 |
| **Import of goods (million €)** | 110,2 | 113,9 | 138,8 | 162,4 | 152,3 | 170,4 | 172,6 | 164,9 | 161,4 | 161,4 | 130,7 | 148,9 | -44,3 | -40,6 | -44,3 |
| **Foreign Trade Exchange Balance (million €)** | -82,2 | -82,7 | -108,9 | -125,5 | -112,9 | -139,9 | -140,8 | -136,5 | -136,9 | -136,9 | -99,5 | -114,3 | -47,2 | -26,6 | -47,2 |
| **Foreign Direct Investment (million €)\*** | 6,6 | 19,5 | 39,5 | 17,1 | 33,7 | 38,8 | 32,5 | 30,7 | -19,8 | -19,8 | 12,6 | 55,5 | n.d | 341,6 | 38,3 |
| **INTERNATIONAL ENVIRONMENT** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Brent crude oil (USD/barrel)** | 116,8 | 110,4 | 111,1 | 100,0 | 100,4 | 103,0 | 107,7 | 115,7 | 105,9 | 105,9 | 111,5 | 107,8 | 108,8 | 0,9 | -6,8 |
| **Aluminium (USD/T)** | 2.037,6 | 2.053,6 | 1.911,3 | 1.861,0 | 1.832,6 | 1.814,5 | 1.769,6 | 1.816,2 | 1.814,6 | 1.814,6 | 1.748,0 | 1.739,8 | 1.740,8 | 0,1 | -14,6 |
| **Euribor (12 months)** | 0,54 | 0,62 | 0,55 | 0,54 | 0,51 | 0,48 | 0,53 | 0,53 | 0,54 | 0,54 | 0,53 | 0,50 | 1,50 | 1,00 | 0,96 |
| **Inflation in Euro area** | 2,0 | 1,8 | 1,7 | 1,2 | 1,4 | 1,6 | 1,6 | 1,3 | 0,7 | 0,7 | 0,9 | 0,8 | 1,8 | 1,0 | -0,2 |

Table 2: **BUDGET OF MONTENEGRO**–January 2014

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 2012 | 2013 | 2014 | plan 2014 | Breakdown - January  |
| ***BUDGET OF MONTENEGRO*** | XI | XII | I | II | III | IV | V | VI | VII | VIII | IX | X | XI | XII | I | I | Jan 2014/Jan 2013 (%) | Jan 2014/Jan 2014 plan (%) |
| **CURRENT REVENUES, out of which:** | **85,31** | **126,94** | **54,76** | **75,68** | **88,30** | **103,95** | **94,00** | **99,56** | **122,02** | **125,05** | **116,34** | **117,28** | **95,78** | **142,43** | **70,63** | **62,43** | *28,99* | *13,15* |
| **Wage taxes and contributions**  | 35,50 | **60,40** | 14,21 | 34,57 | 35,60 | 34,16 | 36,35 | 39,09 | 40,63 | 44,81 | 47,38 | 54,03 | 37,52 | **75,77** | **21,23** | 17,23 | *49,40* | *23,19* |
| **Corporate Income Tax** | 0,79 | **1,82** | 0,50 | 1,06 | 5,09 | 14,80 | 3,06 | 3,64 | 3,87 | 2,84 | 2,33 | 1,29 | 1,13 | **1,04** | **1,54** | 0,54 | *210,55* | *184,27* |
| **Value Added Tax** | 29,08 | **25,78** | 24,86 | 24,75 | 29,49 | 33,76 | 34,16 | 35,87 | 47,18 | 47,07 | 40,69 | 37,65 | 33,51 | **40,19** | **32,17** | 27,32 | *29,42* | *17,75* |
| **Excises** | 12,45 | **17,89** | 9,26 | 8,99 | 10,36 | 12,32 | 12,03 | 13,03 | 16,43 | 20,98 | 17,25 | 14,55 | 13,08 | **13,19** | **9,74** | 11,63 | *5,21* | *-16,29* |
| **International Trade and Transaction Tax** | 1,69 | **1,86** | 1,10 | 1,31 | 1,86 | 2,09 | 1,99 | 2,00 | 2,46 | 2,21 | 2,04 | 2,04 | 1,48 | **1,69** | **0,96** | 1,18 | *-13,27* | *-18,63* |
| **BUDGET EXPENDITURES, out of which:** | 110,82 | 187,15 | 80,79 | 94,64 | 103,84 | 119,84 | 95,54 | 100,17 | 160,33 | 141,28 | 119,00 | 99,42 | 98,49 | **150,13** | **94,14** | 111,47 | *16,53* | *-15,54* |
| **Gross wages and contributions against employers** | 40,13 | 46,25 | 30,97 | 31,35 | 30,53 | 30,64 | 31,06 | 31,12 | 30,26 | 29,27 | 30,77 | 30,66 | 30,67 | **28,82** | **31,69** | 32,21 | *2,32* | *-1,61* |
| **Material and services expenditures** | 12,16 | 20,57 | 3,53 | 6,33 | 8,06 | 7,47 | 5,58 | 6,09 | 7,14 | 6,44 | 6,99 | 8,39 | 6,48 | **17,95** | **3,71** | 7,43 | *5,10* | *-50,08* |
| **Interest rates** | 0,80 | 4,02 | 0,55 | 1,76 | 2,14 | 24,83 | 1,13 | 3,79 | 5,74 | 2,10 | 18,71 | 0,80 | 0,75 | **5,12** | **2,31** | 6,11 | *317,42* | *-62,16* |
| **Social Security Transfers** | 40,34 | 42,46 | 38,15 | 42,30 | 40,50 | 40,45 | 39,92 | 39,87 | 39,78 | 39,18 | 40,14 | 39,79 | 39,83 | **43,05** | **39,56** | 41,52 | *3,68* | *-4,73* |
| **Transfers to Institutions, Individuals and NGOs** | 2,03 | 6,24 | 4,77 | 7,18 | 8,95 | 5,88 | 7,42 | 7,06 | 5,86 | 9,04 | 8,25 | 7,30 | 4,75 | **17,85** | **4,73** | 8,42 | *-0,77* | *-43,83* |
| **Capital expenditures** | 6,87 | 13,94 | 0,30 | 2,12 | 4,94 | 4,90 | 4,93 | 5,21 | 4,93 | 5,50 | 5,91 | 6,63 | 6,49 | **22,14** | **1,67** | 9,36 | *463,15* | *-82,11* |
| **Budget Surplus / Deficit**  | **-25,50** | **-60,21** | **-26,03** | **-18,96** | **-15,54** | **-15,89** | **-1,54** | **-0,61** | **-38,31** | -16,22 | -2,66 | 17,86 | -2,71 | **-7,70** | **-23,51** | **-49,04** | *-9,69* | *-52,07* |
| **Primary deficit** | -24,70 | -56,19 | -25,48 | -17,20 | -13,40 | 8,94 | -0,42 | 3,19 | -32,57 | -14,12 | 16,06 | 18,66 | -1,96 | **-2,58** | **-21,20** | -42,93 | *-16,80* | *-50,63* |
| **Debt repayment** | 3,41 | 12,53 | 16,06 | 7,38 | 7,93 | 7,18 | 5,57 | 18,47 | 34,60 | 16,98 | 24,39 | 14,01 | 17,57 | **71,64** | **6,53** | 14,29 | *-59,32* | *-54,27* |
| **Government debt (debt balance)** | 1700,2 | 1699,5 | 1726,6 | 1732,7 | 1755,7 | 1764,2 | 1767,1 | 1760,9 | 1810,4 | 1844,90 | 1846,50 | 1832,00 | 1886,30 | 1873,15 | **n.a.** | - | *0,00* | *0,00* |
| **Internal debt** | 393,1 | 404,5 | 394,0 | 396,7 | 420,3 | 431,7 | 436,0 | 442,7 | 442,8 | 433,80 | 480,90 | 471,70 | 440,40 | 440,13 | **n.a** | - | *0,00* | *0,00* |
| **Foreign debt** | 1307,1 | 1295,0 | 1332,6 | 1336,0 | 1335,4 | 1332,5 | 1331,1 | 1318,2 | 1367,6 | 1411,10 | 1365,60 | 1360,30 | 1445,90 | 1433,02 | **n.a** | - | *0,00* | *0,00* |

***Source: Ministry of Finance of Montenegro***