

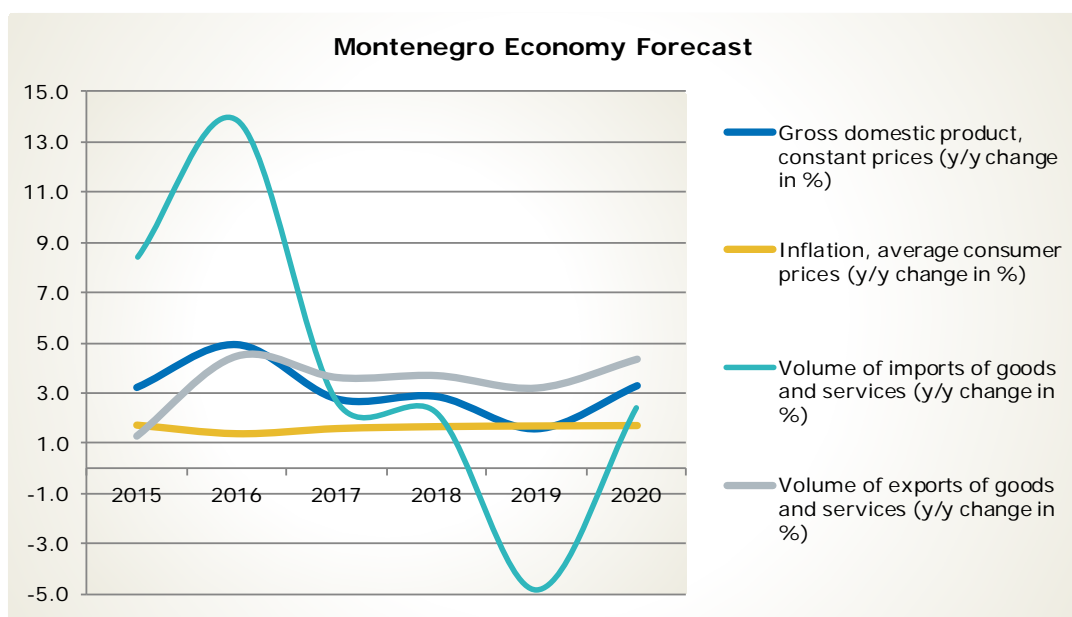
MONTENEGRO ECONOMY REPORT
Q3 2015

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1. MACROECONOMIC SNAPSHOT AND FORECAST

MONTENEGRO – MACROECONOMIC SNAPSHOT AS OF Q3 2015	
GDP Growth	4.2% y/y
Industrial output	9.2% y/y
Industrial sales	1.2% y/y
Retail sales	3.9% y/y
Average annual inflation	1.6%
Unemployment rate	16.5%
Household loans	2.4% y/y
MONEX20 blue-chip index	11.8% y/y
Gross External Debt	EUR 1.975 bln
Current account surplus	EUR 282.9 mln
FDI inflow	EUR 643.8 mln (Jan-Oct 2015)
Foreign trade deficit	EUR 447.4 mln
Number of foreign tourist overnights	21.4% y/y



Source: International Monetary Fund (IMF) World Economic Outlook Database – October 2015

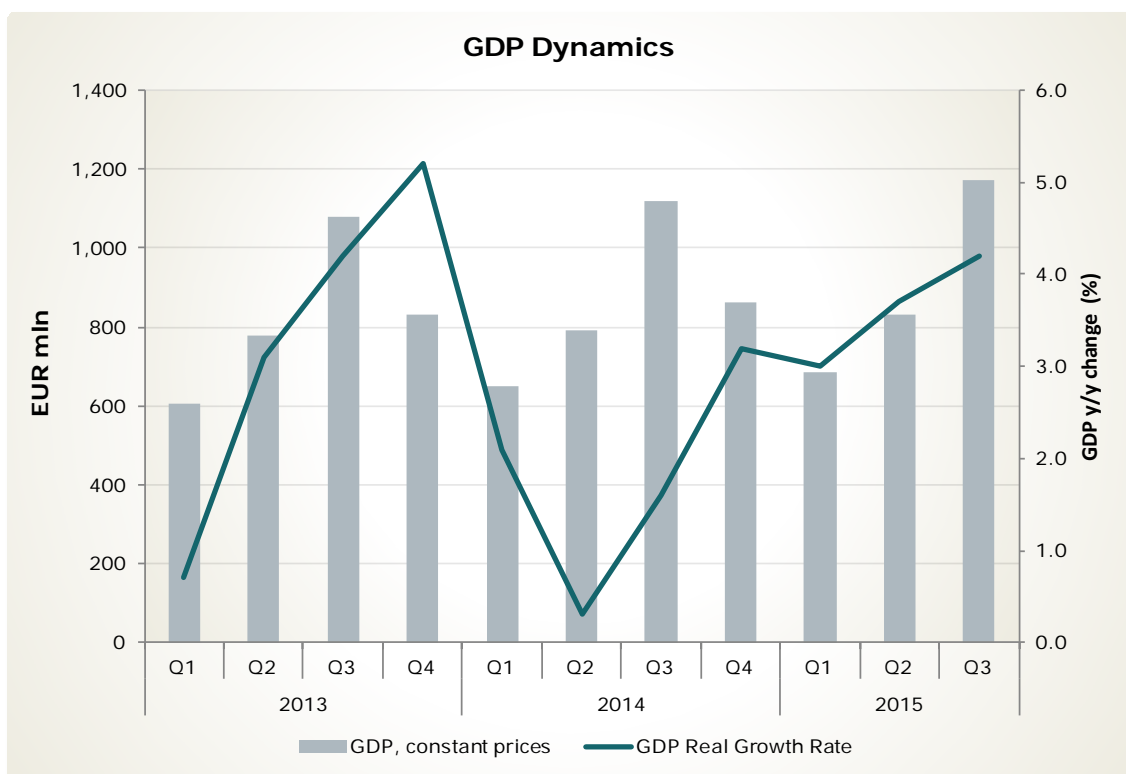
2. REAL SECTOR

2.1. GROSS DOMESTIC PRODUCT (GDP)

GDP went up by real 4.2% y/y in Q3 2015, compared to a 3.7% y/y growth in the previous quarter

The country's real GDP annual growth was 4.2% in the third quarter of 2015, according to the Statistical Office of Montenegro (MONSTAT). The GDP totalled EUR 1.172 bln in constant prices in Q3 2015, compared to EUR 1.119 bln in the corresponding quarter of the previous year.

Final consumption decreased in value terms by 2.2% on the year to EUR 883.4 mln in the third quarter of 2015, contributing 75.4% to the GDP. Gross capital formation went up by 19.3% to EUR 186.9 mln, or 15.9% of the GDP. Both exports and imports grew, by 15.6% and 7.4%, respectively.



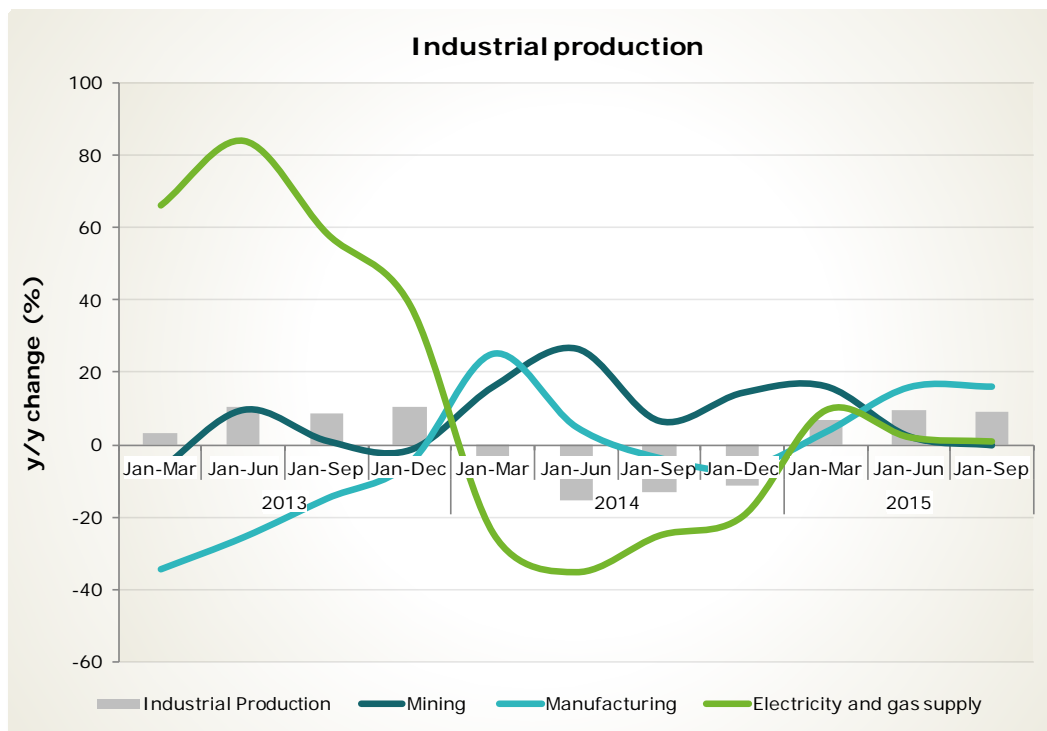
Source: MONSTAT

2.2. INDUSTRIAL OUTPUT

Industrial output up 9.2% y/y in Jan-Sep 2015

Industrial output went up by 9.2% on the year in January to September 2015, according to MONSTAT. The output of the manufacturing industry jumped by 16.1%, output in the electricity and gas supply sector grew by 1.1%, while the mining sector output inched down by 0.1%.

Manufacture of rubber and plastic products, and manufacture of fabricated metal products fuelled the growth of the manufacturing industry by posting four-fold annual increases. In contrast, mining of metal ores registered the sharpest drop, of 39.6%.



Source: MONSTAT

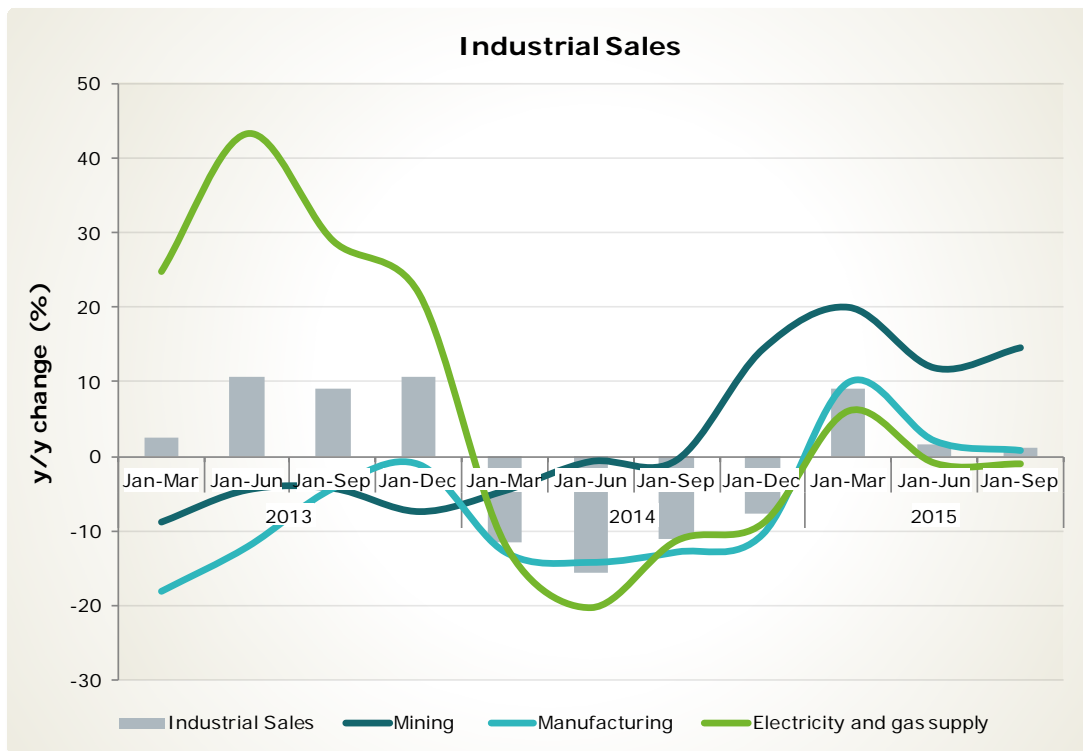
2.3. INDUSTRIAL SALES

Industrial sales went down by 1.2% y/y in Jan-Sep 2015

Industrial sales increased, by 1.2% y/y in the first nine months of 2015, according to MONSTAT. Sales in the mining industry experienced an annual growth of 14.6%, while the turnover of the manufacturing industry inched up by 0.8%, and the electricity and gas supply industry saw sales going down by 1.0%.

Segment wise, sales in the manufacture of rubber and plastic products marked a four-fold jump, thus occupying the first place in terms of annual growth, followed by manufacture of basic metals with a 43.4% rise, and manufacture of chemical and chemical products with 42.3%.

The segments to report the highest annual decrease in sales were manufacture of tobacco products with a 40.7% drop, manufacture of metal ores with a fall of 39.6% and manufacture of food products with 31.4%.



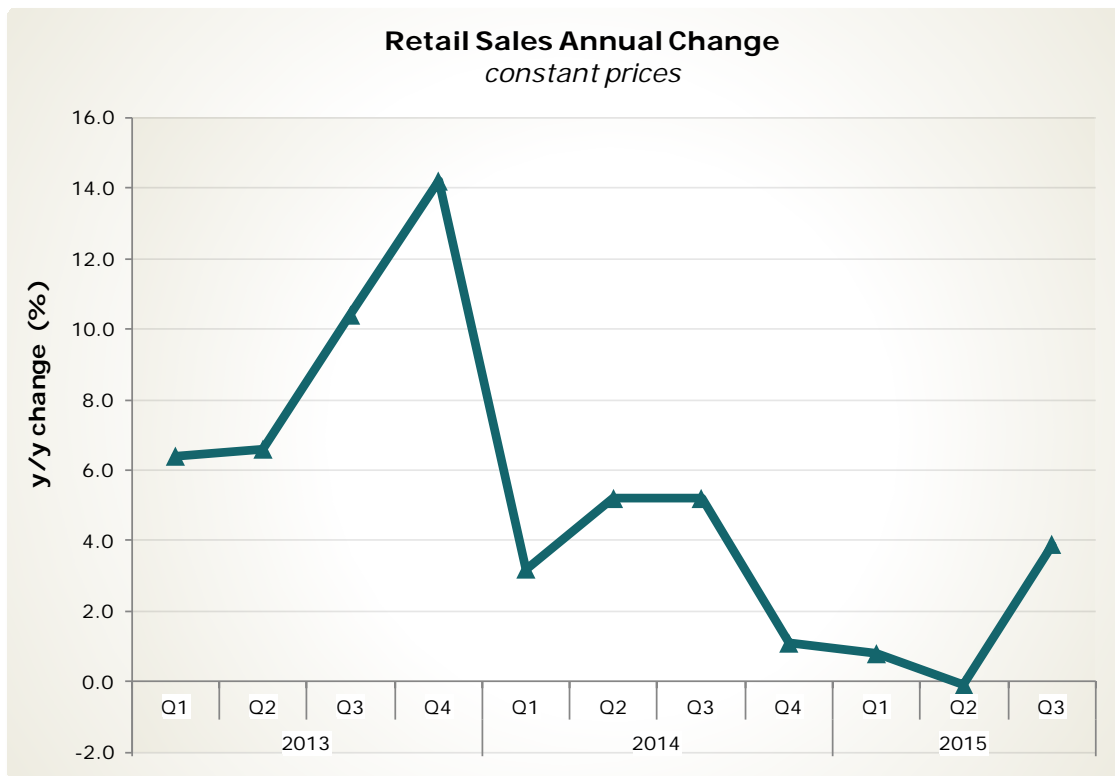
Source: MONSTAT

2.4. RETAIL SALES

Retail grew by 3.9% y/y in Q3 2015

Retail sales went up by an annual 3.9% in constant prices in the third quarter of 2015, according to MONSTAT data.

Retail trade outside of stores and online retail trade led the ranking in terms of sharpest annual increase with 20.5%, while retail trade of second hand goods in shops was on the opposite end with a drop of 7.9%.



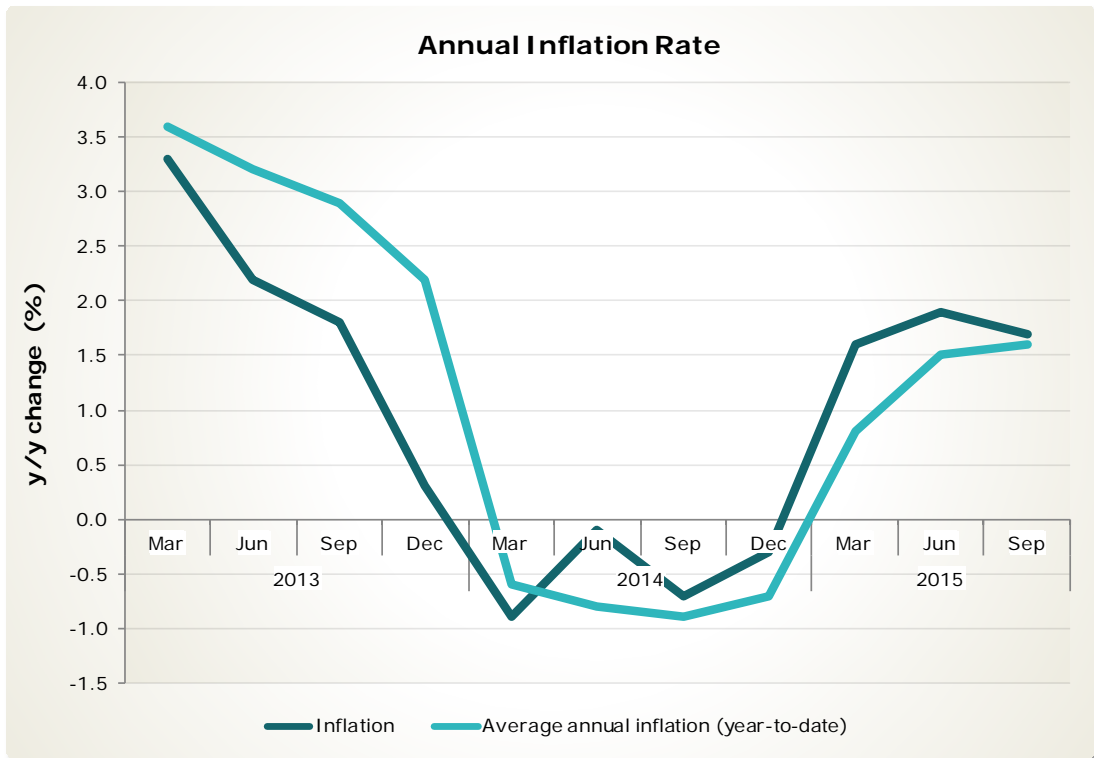
Source: MONSTAT

2.5. INFLATION

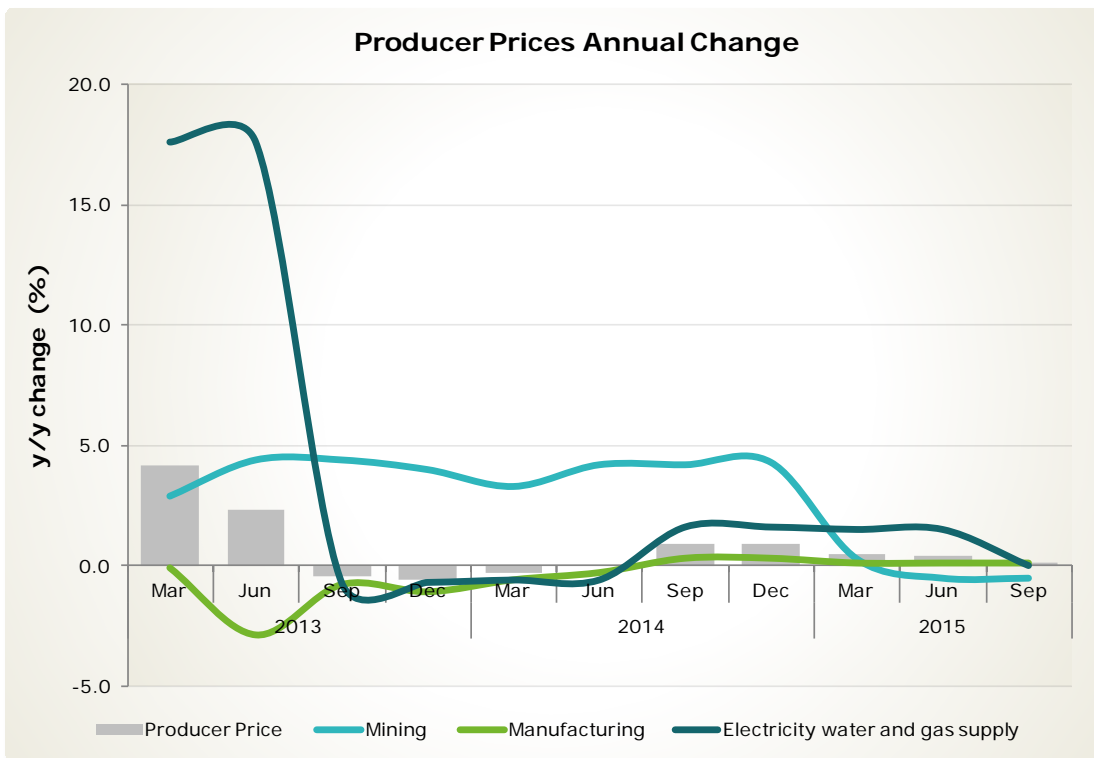
Annual inflation of 1.6% in Jan-Sep 2015

Consumer prices in Montenegro continued rising and recorded an annual average inflation of 1.6% in the first nine months of 2015, according to MONSTAT data.

The highest annual increase in consumer prices, of 3.2%, was registered in clothing and footwear, while prices fell the most, by 4.2%, in the transport services.



Source: MONSTAT



Source: MONSTAT

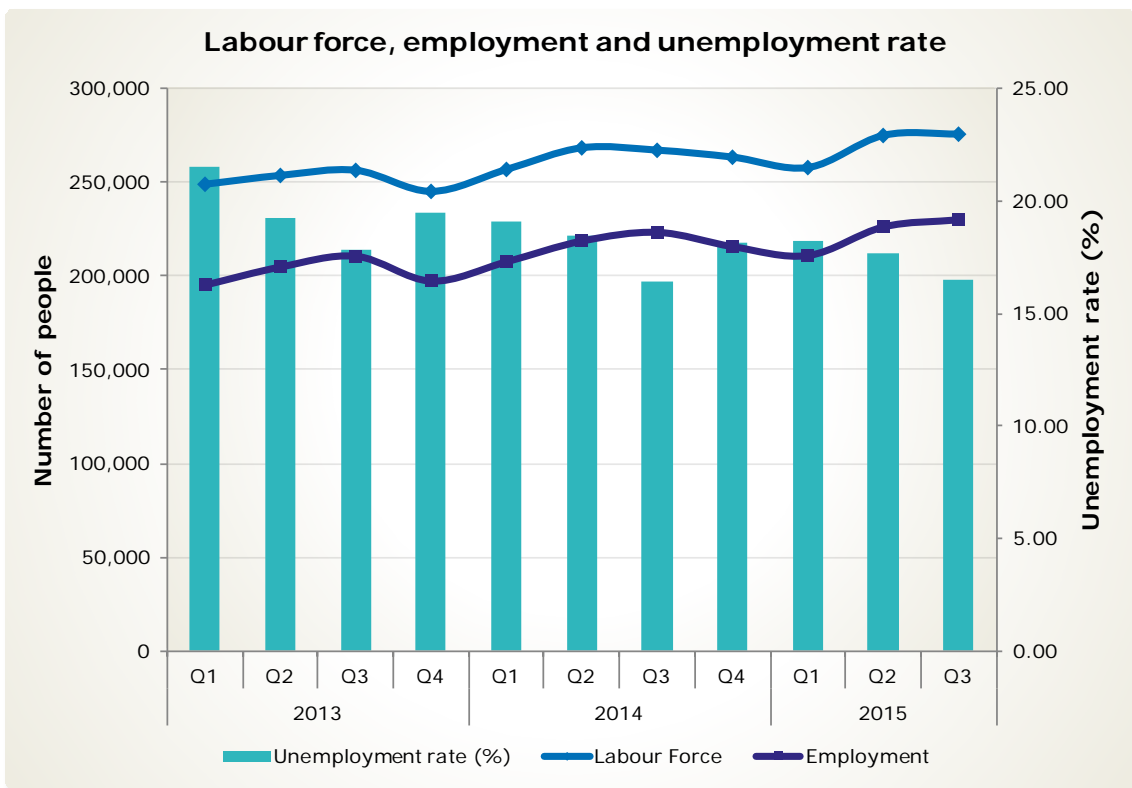
3. LABOUR MARKET

Unemployment rate grew to 16.5%, wages inch up 0.8% y/y in Q3 2015

Unemployment in Montenegro rose to 16.5% of the total labour force in the third quarter of 2015 from 16.4% in the corresponding quarter a year ago, according to data of MONSTAT.

The employed population aged 15 years and older was 229,900 people in the third quarter of 2015, up by 3.0% compared to the same period a year ago.

The youth (population aged 15-24) unemployment rate went up to 34.5%, compared to 27.5% in the third quarter of 2014.



Source: MONSTAT

The average monthly net salary in the third quarter of 2015 inched up by 0.8% y/y to EUR 477, according to MONSTAT.

Employees in the financial and insurance activities had the highest average monthly net salaries, of EUR 900, followed by the electricity and air conditioning supply with EUR 854, and real estate activities with EUR 752.

The lowest wage of EUR 329 was paid in the wholesale and retail trade, repair of motor vehicles and motor recycles sector. Administrative and support service activities followed with EUR 339 and the employed in the arts, entertainment and recreation earned EUR 381.

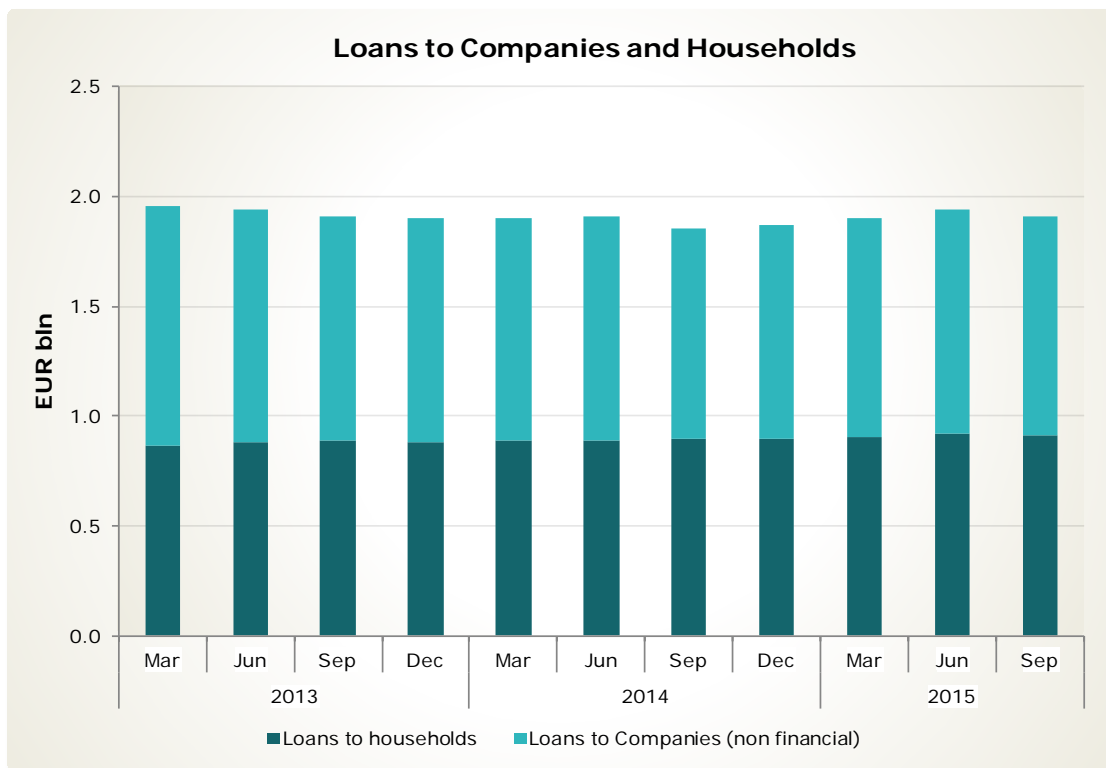
5. BANKING AND INSURANCE

5.1. BANKING AND INSURANCE

Household loans increased by 2.4% y/y at end-September 2015

Loans to the non-government sector totalled EUR 2.462 bln as of end-September 2015, up by 6.3% y/y, according to Central bank of Montenegro (CBCG).

Household loans grew by 2.4% to EUR 914.2 mln, accounting for 37.1 of the total non-government sector loans, while loans to non-financial corporations increased by 3.1% to EUR 992.4 mln thus slicing a 40.3% share.

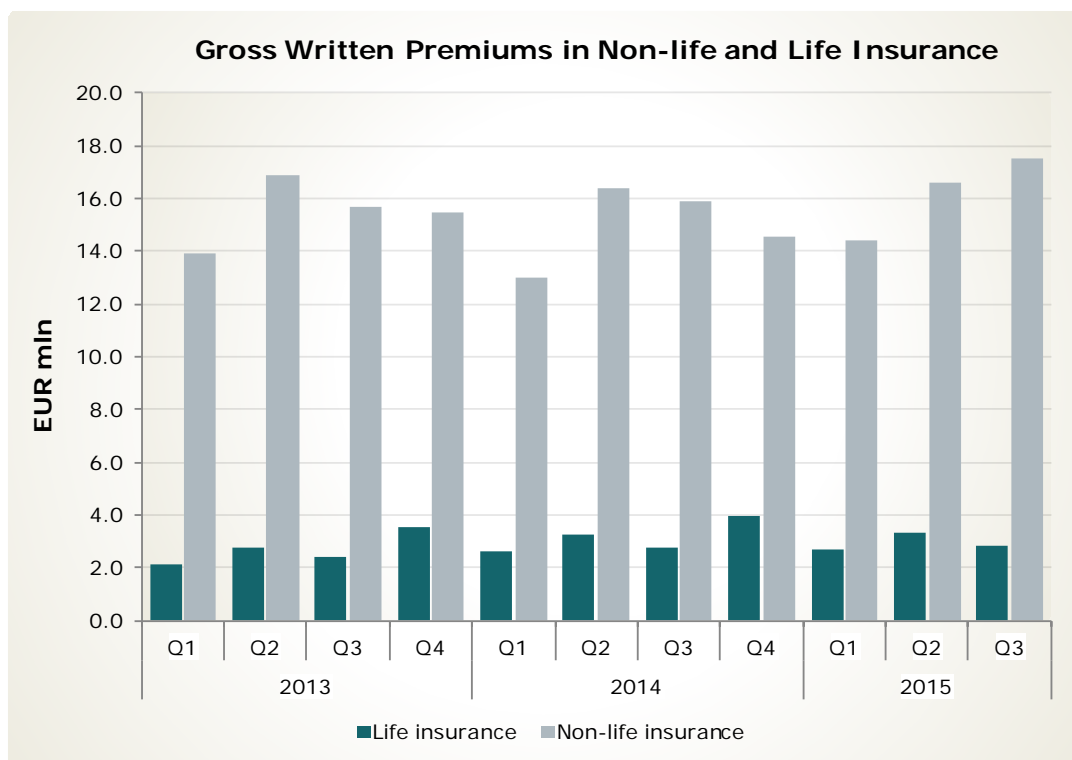


Source: CBCG

Premiums went up 9.2% y/y in Q3 2015

The total gross written premiums of the non-life and life insurance companies stood at EUR 20.349 mln, up by 9.2% y/y in the third quarter of 2015, according to the Insurance Supervision Agency (ANO).

The non-life insurance market stood at EUR 17.498 mln in the third quarter of 2015, or by 10.0% more than in the same quarter a year ago, while the life insurance sector grew by 4.1% y/y to EUR 2.851 mln.



Source: ANO

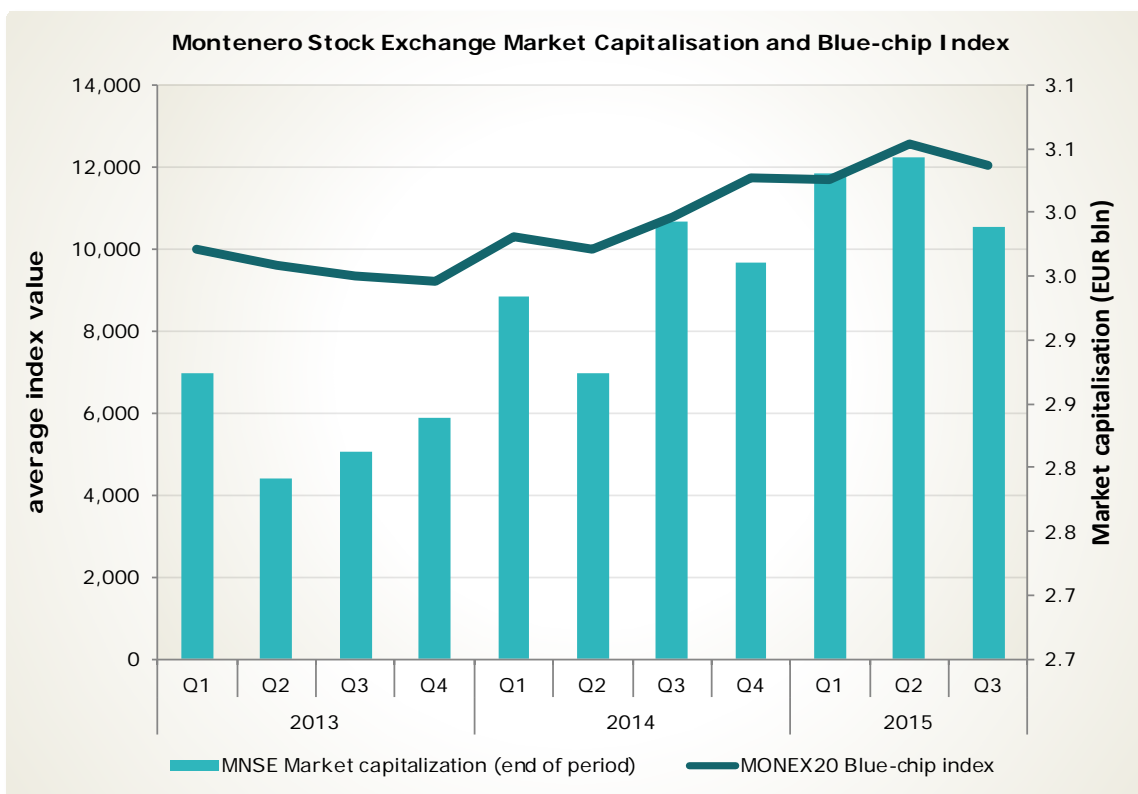
6. CAPITAL MARKETS

Blue-chip MONEX20 increased y/y in Q3 2015

The average value of MONEX20, the blue-chip index of the Montenegro Stock Exchange (MNSE), rose by 11.8% in Q3 2015, compared to a year ago, and reached 12,039 points. On quarterly basis MONEX20 lost 528 points.

MNSE's market capitalization inched down by 0.1% y/y to EUR 2.989 bln at end-September 2015.

The total turnover on MNSE slumped to EUR 5.324 mln in the third quarter of 2015 from EUR 8.020 mln a year earlier.



Source: MNSE

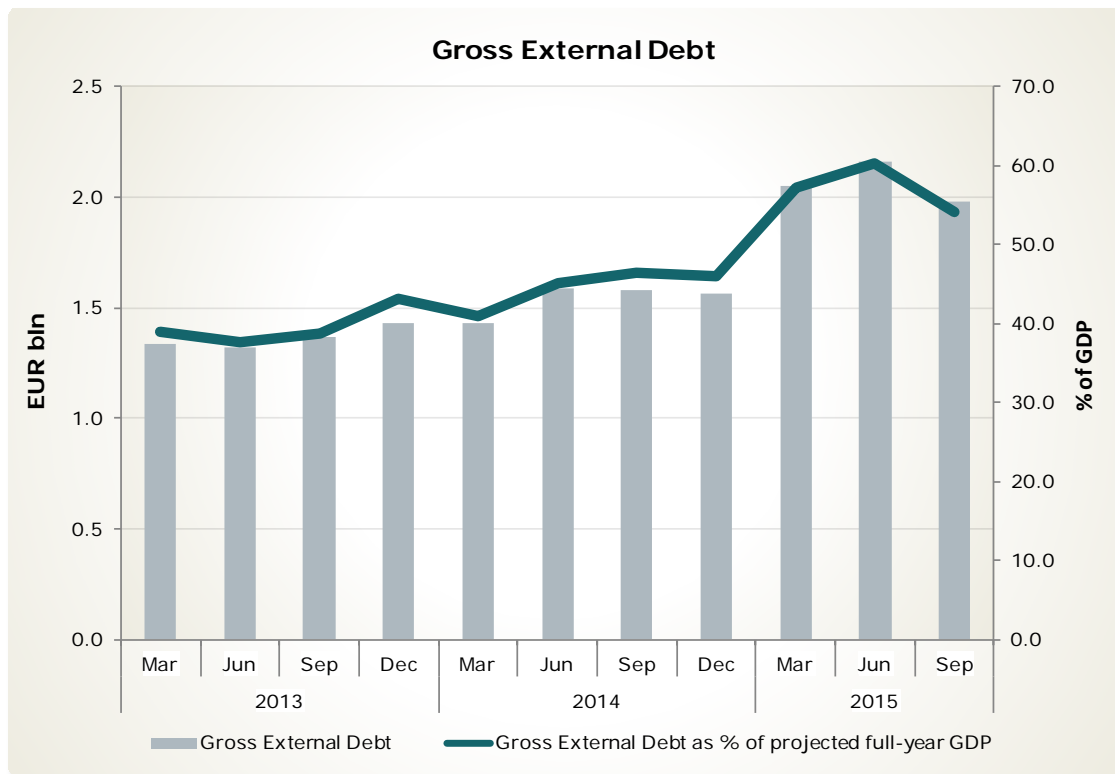
7. EXTERNAL SECTOR

7.1. FOREIGN DEBT

The gross external debt grew annually to EUR 1.975 bln at end-September 2015

The gross external debt increased to EUR 1.975 bln at the end of September 2015, up by 25.3% or EUR 0.399 bln, compared to a year earlier, according to CBCG. The gross external debt accounted for 54.0% of the projected full-year GDP.

The largest share, 48.9%, in the total gross external debt had Eurobonds, followed by debts to the International Bank for Reconstruction and Development, which made up 11.4% of the total and debts to the Chinese Exim Bank had a share of 8.5%.



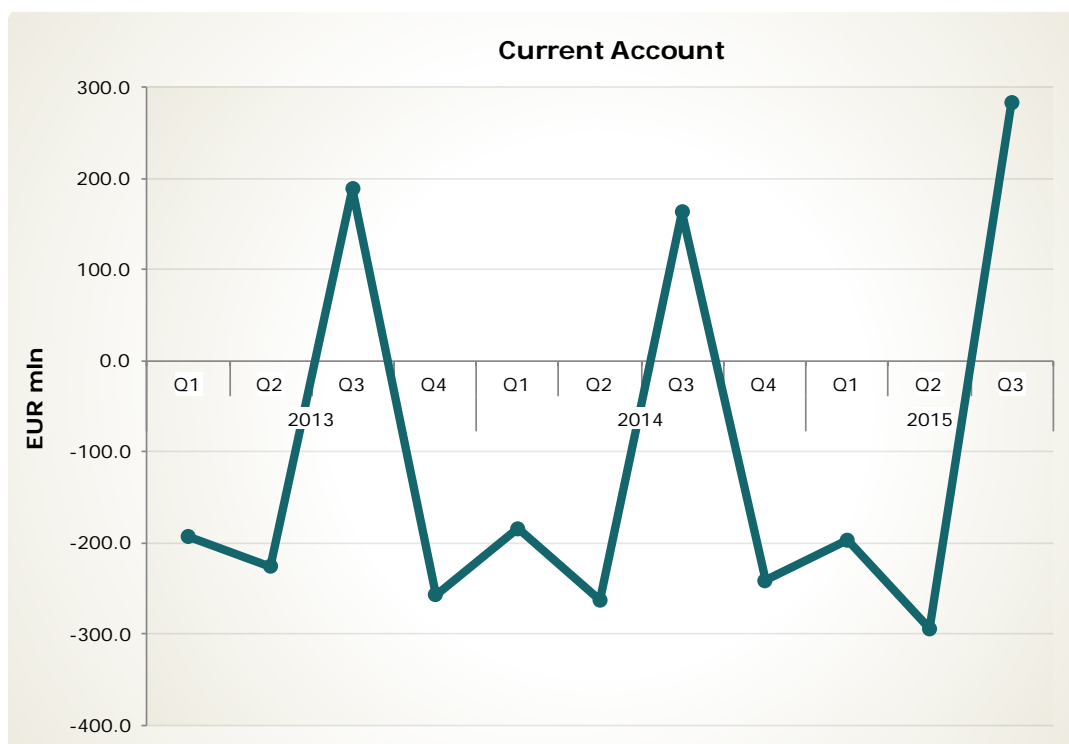
Source: CBCG

7.2. BALANCE OF PAYMENTS

Current account surplus at EUR 282.9 mln in Q3 2015

The current account surplus increased to EUR 282.9 mln in the third quarter of 2015, EUR 163.2 mln in the third quarter of 2014, according to central bank statistics data.

Secondary income went up to EUR 23.914 mln from EUR 20.871 mln one year ago.



Source: Central bank of Montenegro

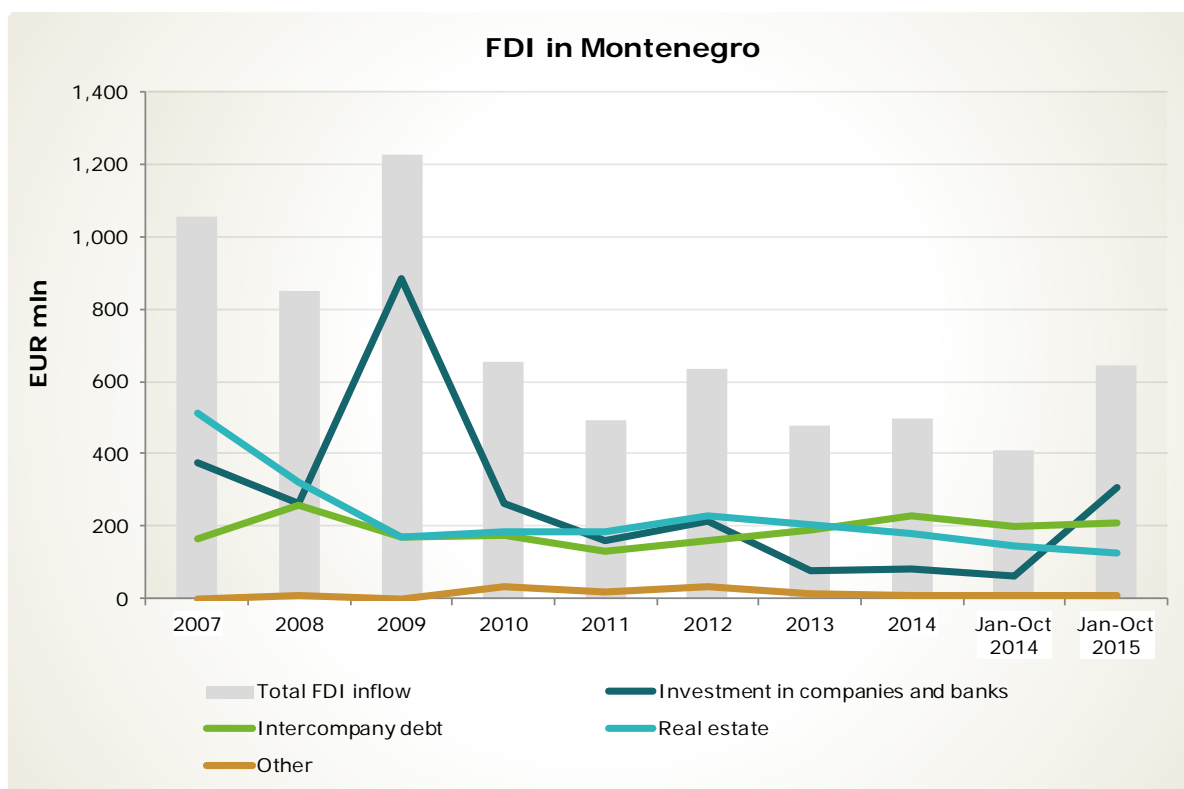
7.3. FDI

FDI inflow jumped 56.5% y/y in Jan-Oct 2015*

**Data for Jan-Sep 2015 is not available*

FDI went up by 56.5% annually, to EUR 643.8 mln, in the period January – October 2015, according to CBCG data.

In the period under review, Austria was the biggest foreign investor in Macedonia with direct investments of EUR 255.2 mln, the Netherlands came second with EUR 68.405 mln and Russia came third with EUR 57.966 mln.



Source: CBCG

7.4. FOREIGN TRADE

Foreign trade deficit grew by 9.0% y/y in Q3 2015

The trade deficit stood at EUR 447.4 mln in the third quarter of 2015, compared to EUR 410.5 mln in the same quarter in 2014, according to CBCG.

Montenegro's most exported goods in Q3 2015 were Cork and wood – EUR 9.871 mln, followed by petroleum, petroleum products and related materials – EUR 8.583 mln and metalliferous ores and metal scrap – EUR 8.206 mln.

In term of imports, the leaders were petroleum, petroleum products and related materials – EUR 47.510 mln, electrical machinery, apparatus and appliance – EUR 27.643 mln, and meat and meat preparations – EUR 25.286 mln.



Source: MONSTAT

7.5. TOURSIM

Number of foreign tourist overnights grew by 21.4% y/y in Q3 2015

Tourist overnights of foreigners jumped by an annual 21.4% to 8,208,485 in the third quarter of 2015, according to MONSTAT.

The number of foreign tourists also went up - by 17.1% y/y to 1,142,959. Serbian tourists accounted for 26.9% of the total number, followed by Russians with a 19.5% share, and tourists from Bosnia and Herzegovina with an 11.7% share.



Source: MONSTAT

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