

MONTENEGRO ECONOMY REPORT

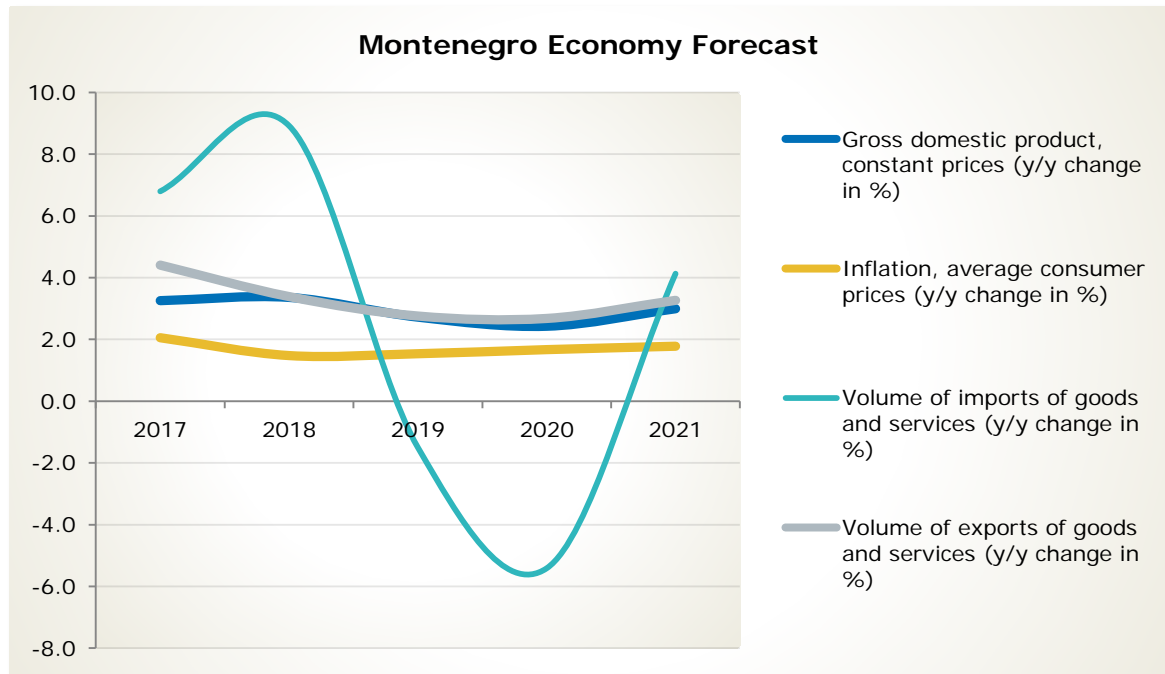
Q1 2017

CONTENTS

1. MACROECONOMIC SNAPSHOT AND FORECAST	3
2. REAL SECTOR	5
2.1. GROSS DOMESTIC PRODUCT (GDP)	5
2.2. INDUSTRIAL OUTPUT	6
2.3. INDUSTRIAL SALES.....	7
2.4. WHOLESALE/RETAIL	8
2.5. INFLATION.....	9
3. LABOUR MARKET.....	11
4. CONSTRUCTION AND REAL ESTATE	12
5. BANKING AND INSURANCE	13
6. CAPITAL MARKETS	14
7. EXTERNAL SECTOR	15
7.1. FOREIGN DEBT	15
7.2. BALANCE OF PAYMENTS	16
7.3. FDI.....	17
7.4. FOREIGN TRADE	17
7.5. TOURSIM	19

1. MACROECONOMIC SNAPSHOT AND FORECAST

MONTENEGRO – MACROECONOMIC SNAPSHOT AS OF Q1 2017	
GDP Growth	3.2% y/y
Industrial output	-10.9% y/y
Industrial sales	-1.0% y/y
Retail sales	3.5% y/y
Annual inflation	2.4%
Unemployment rate	17.4%
Number of building permits	10.9% y/y
Household loans	11.9% y/y
MNSE10 blue-chip index	4.5% q/q
Gross External Debt	EUR 2.224 bln
Current account deficit	EUR 318.5 mln
FDI inflow	EUR 687.2 mln (2016)
Foreign trade deficit	EUR 369.8 mln
Number of foreign tourist overnights	-46.8% y/y



Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2017

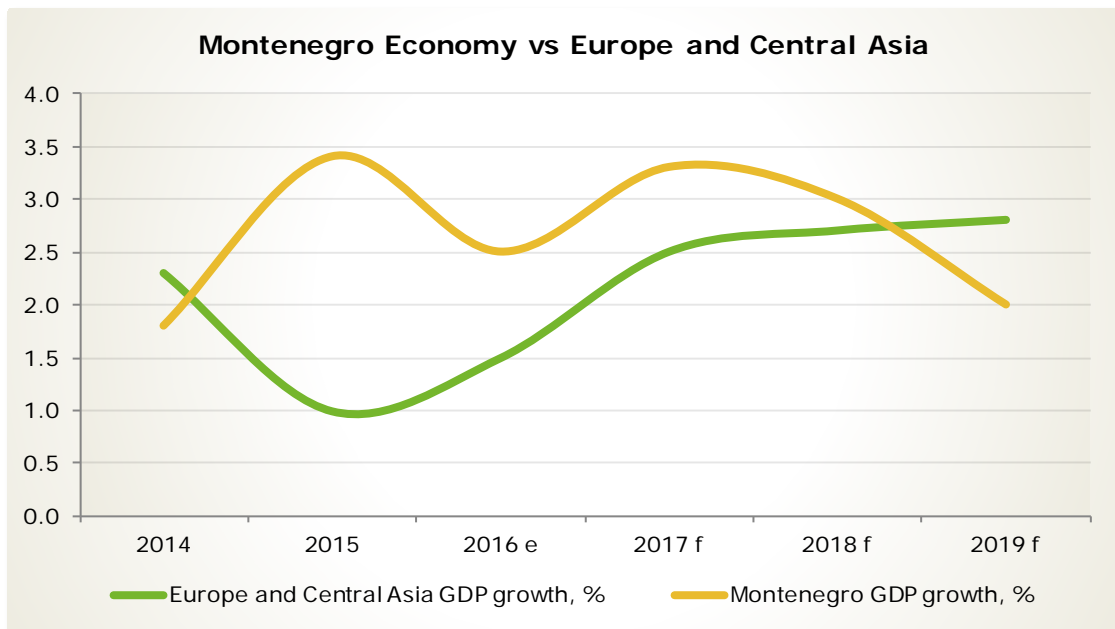
The economy of Montenegro is projected to expand by 3.25% in 2017, unchanged compared to the realized 3.2% growth in 2016, according to IMF estimates. The GDP will grow from the positive impact effects from highway and other private investments and to a lesser

extend from private investments. The external sector will contribute negatively on the growth in 2017 as the current account deficit is projected to increase due to import needs related to

capital investments, according to the fund. Because of the highway investments in the country, the economic growth over the medium term is expected to average 3% over the next 5 years.

IMF sees inflation slightly less than 2% on average and expected low inflation in the euro area will restrain price pressures in Montenegro in the near term.

Risks to the IMF forecasts include the high levels of government debt, which is projected to increase to 82% of GDP by 2019. In addition, the overall budget deficit in 2017 is projected to increase to 7.5% of GDP, mainly on account of highway spending.



Source: World Bank, Europe and Central Asia Economic Update, May 2017

According to the World Bank forecast, the economy of Montenegro will grow by an average of 2.8% annually in 2017-2019 on large public investments and personal consumption. Inflation is projected at 2% in the period 2017-2019.

The large public investments are expected to widen external imbalances and the current account deficit will grow to almost 20% of GDP in 2017-2019. According to the World Bank, once the economic growth slows, the external and fiscal imbalances will further increase the overall government debt level, which would add to already high vulnerability to external shocks.

Montenegro – GDP, Inflation, Current Account Balance and FDI Dynamics (y/y change in %)

	2014	2015	2016 e	2017 f	2018 f	2019 f
Real GDP growth, at constant market prices, y/y change in %	1.8	3.4	2.5	3.3	3.0	2.0
Private Consumption	2.9	2.2	2.6	3.5	2.9	3.7
Government Consumption	1.4	1.9	8.1	0.0	-0.9	-1.1
Gross Fixed Capital Investment	-2.5	11.9	29.6	12.0	9.4	-1.5
Exports, Goods and Services	-0.7	-0.7	-1.1	0.7	-1.2	0.6
Imports, Goods and Services	1.6	0.0	0.0	0.0	0.0	0.0
Real GDP growth, at constant factor prices (by sectors)	1.9	5.7	5.1	2.8	2.9	2.4
Agriculture	1.8	4.4	14.1	6.8	2.9	2.5
Industry	4.5	3.9	2.5	3.3	3	2
Services	0.7	3.2	3.3	2.1	2.1	2.1
Inflation (Consumer Price Index)	-0.7	1.5	-0.2	1.8	1.9	1.9
Current Account Balance (% of GDP)	-15.2	-13.3	-18.9	-19.6	-20.2	-20.6
Net Foreign Direct Investment (% of GDP)	10.2	17.1	9.8	10	9.7	9.6

Source: World Bank, Europe and Central Asia Economic Update, May 2017

2. REAL SECTOR

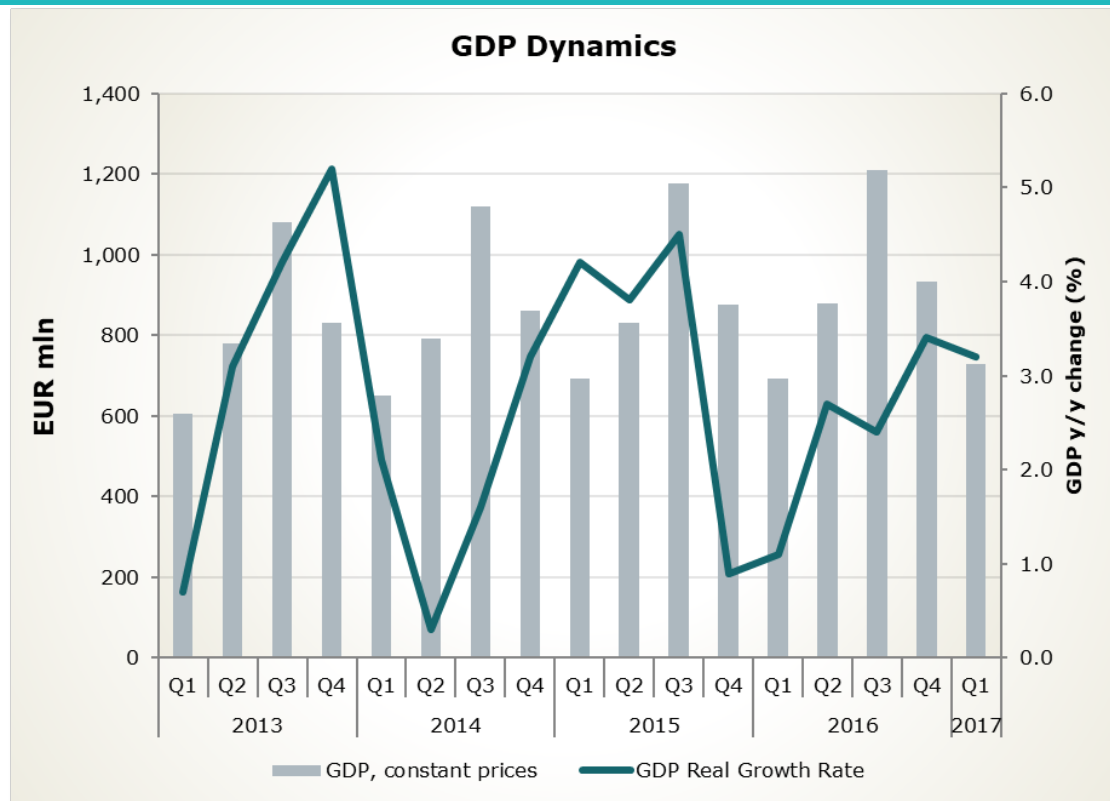
2.1. GROSS DOMESTIC PRODUCT (GDP)

GDP growth continues to be strong at 3.2% y/y in Q1 2017, on capital investments

The economy of Montenegro continues to grow at strong rates during the first quarter of 2017. The country's real GDP annual growth was 3.2% in Q1 2017, after 3.4% y/y growth in Q4 2016, according to the Statistical Office of Montenegro (MONSTAT).

The GDP totalled EUR 728.2 mln in constant prices in Q1 2017, compared to EUR 693.3 mln in the previous year.

Final consumption increased in value terms by 6.3% on the year to EUR 844.5 mln in Q1 2017. Gross capital formation went up by 27.8% to EUR 198.5 mln. Exports and imports grew by 15.1% and 10.8%.



Source: MONSTAT

2.2. INDUSTRIAL OUTPUT

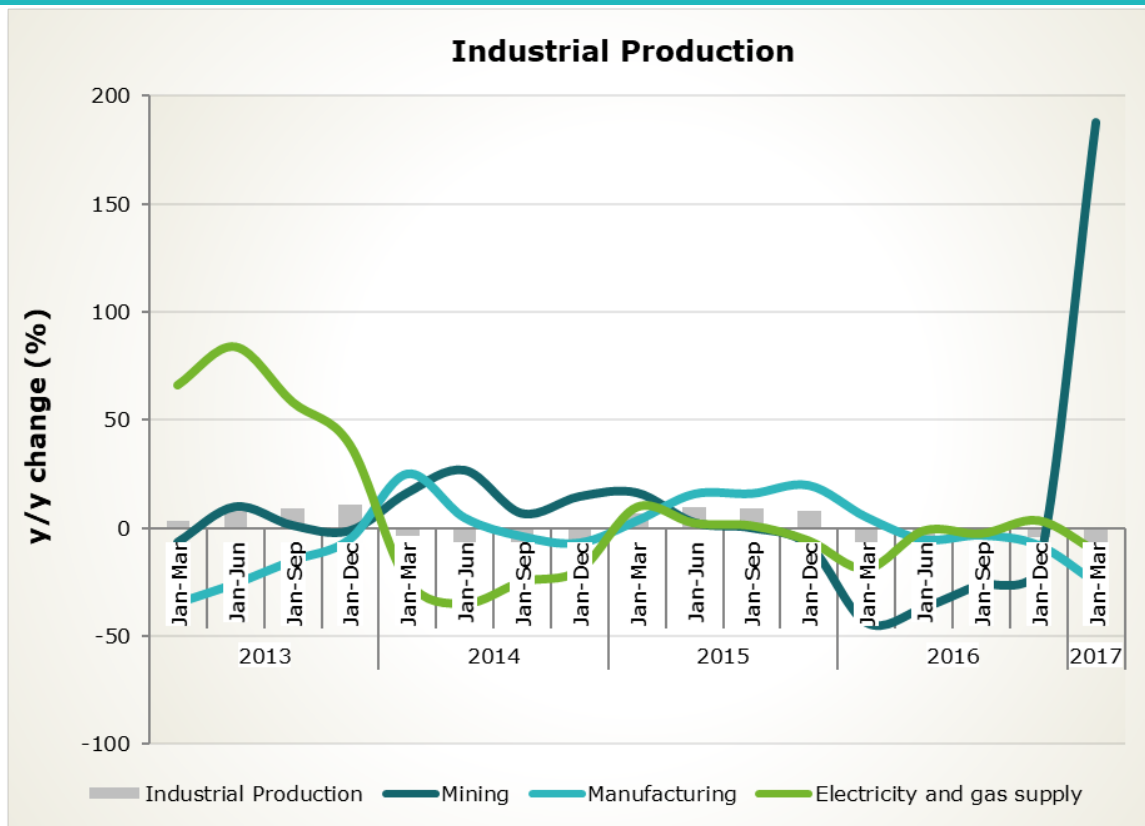
Industrial output down 10.9% y/y in Q1 2017 as manufacturing sector shrank by a quarter

Industrial output went down by 10.9% on the year in Q1 2017, according to MONSTAT.

The overall fall was caused by the manufacturing industry, which shrank by a quarter on an annual basis, and the production at electricity and gas supply industry, which fell by 10.8% y/y.

In the same time the mining sector surged by 187% y/y in Q 2017.

Manufacture of basic pharmaceutical products plunged by 67.0% while the manufacture of machinery and equipment decreased by 20.4% y/y in Q1. Manufacturing of furniture went up by 48.7% y/y and the manufacturing of chemical and chemical products increased by 33.4% y/y.



Source: MONSTAT

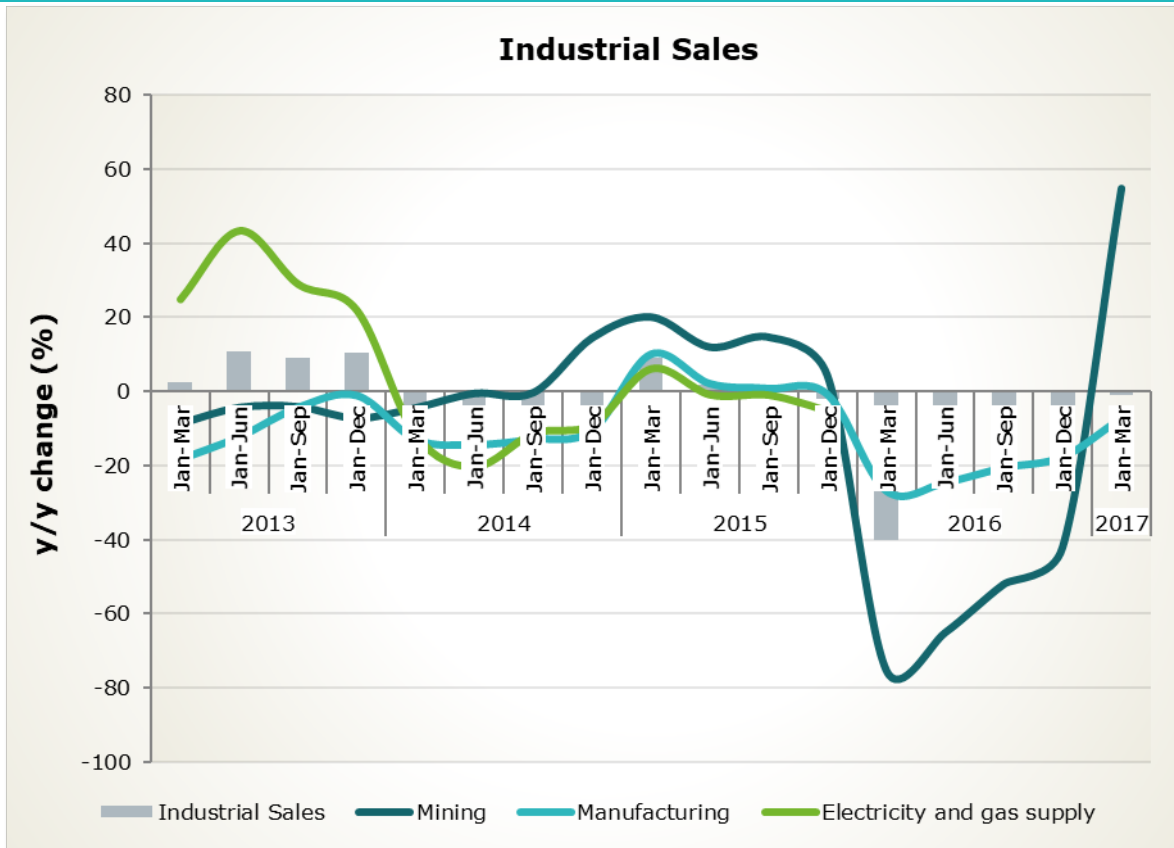
2.3. INDUSTRIAL SALES

Industrial sales decreased by 1.0% y/y in Q1 2017, on domestic market weakness

Industrial sales went down by 1.0% in Q1 2017, according to MONSTAT. Domestic turnover decreased by 4.4% y/y on average while the turnover on foreign markets went up by 2.4% y/y during the first three months of 2017.

The downtrend in Q1 2017 was due to the 7.1% decrease in the sales of the manufacturing sector. On the other hand, mining industry reported a 54.7% annual rise.

In terms of product groups, turnover from capital goods went down by 26% y/y, turnover from non-durable consumer goods decreased by 10.6% y/y. Energy related production turnover jumped by 10.8% y/y.



Source: MONSTAT

Editor's note: Data for electricity and gas supply sales was not available in 2016 and Q1 2017.

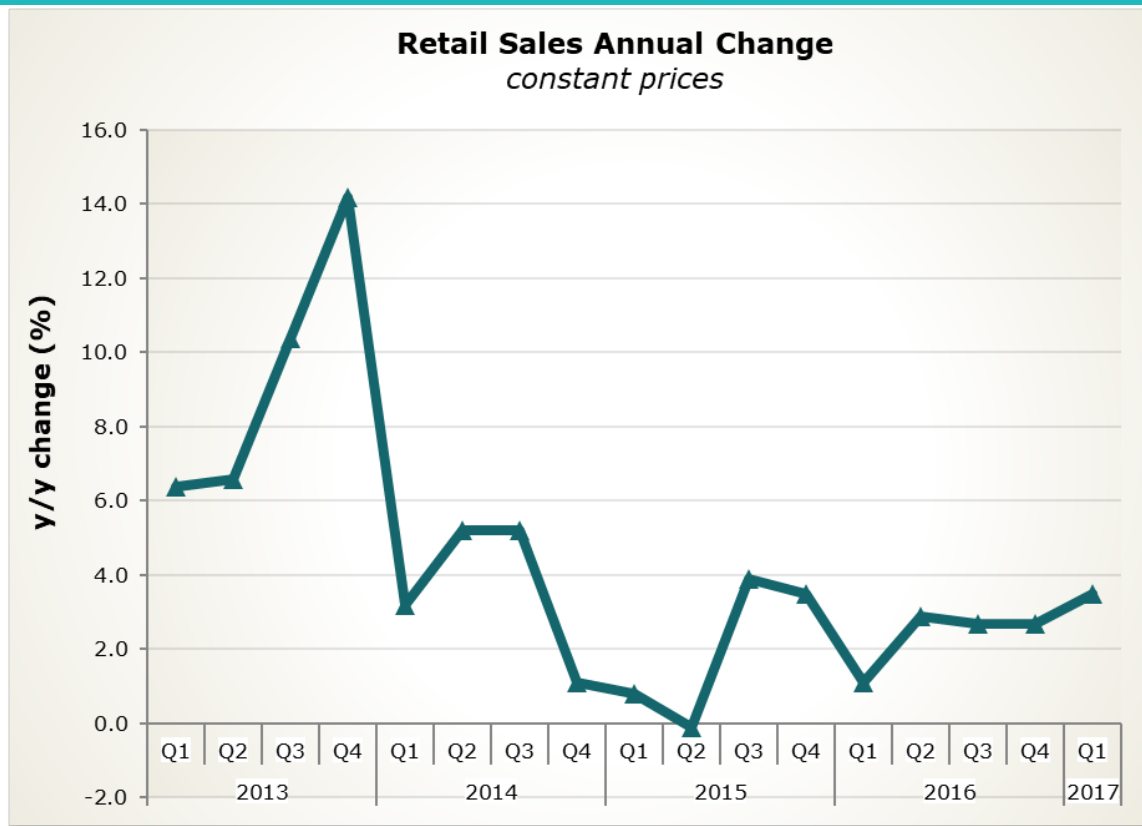
2.4. WHOLESALE/RETAIL

Retail sales grew 3.5% y/y in Q1 2017

Retail sales went up by 3.5% in constant prices in Q1 2017, compared to the previous year, according to MONSTAT data.

Growth in retail sector was fueled by the strong economic growth, the tightening labor market and wage pressure.

Retail trade of food, drink and tobacco surged by 14.9% y/y in the quarter, while retail trade of automotive fuel jumped by 60% y/y.



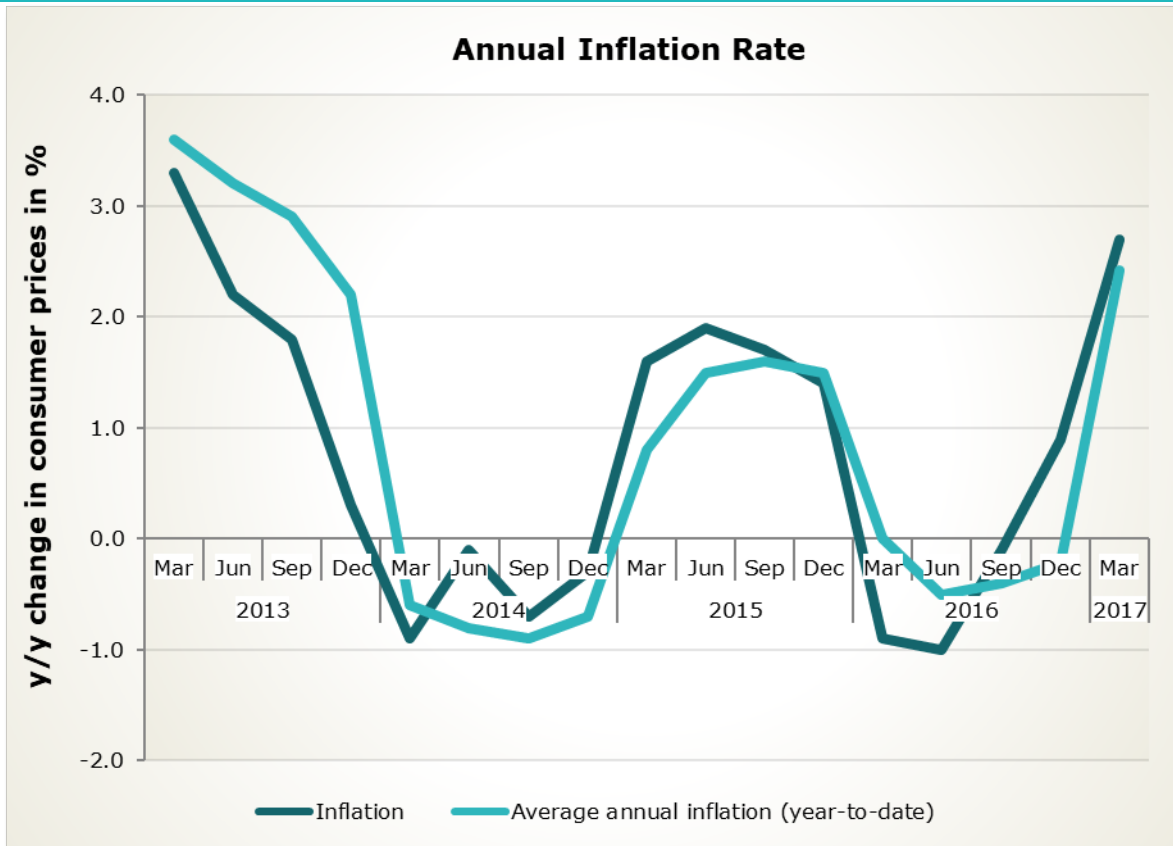
Source: MONSTAT

2.5. INFLATION

Average inflation of 2.4% y/y in Q1 2017

Montenegro registered an average annual inflation of 2.4% in Q1 2017, according to MONSTAT data.

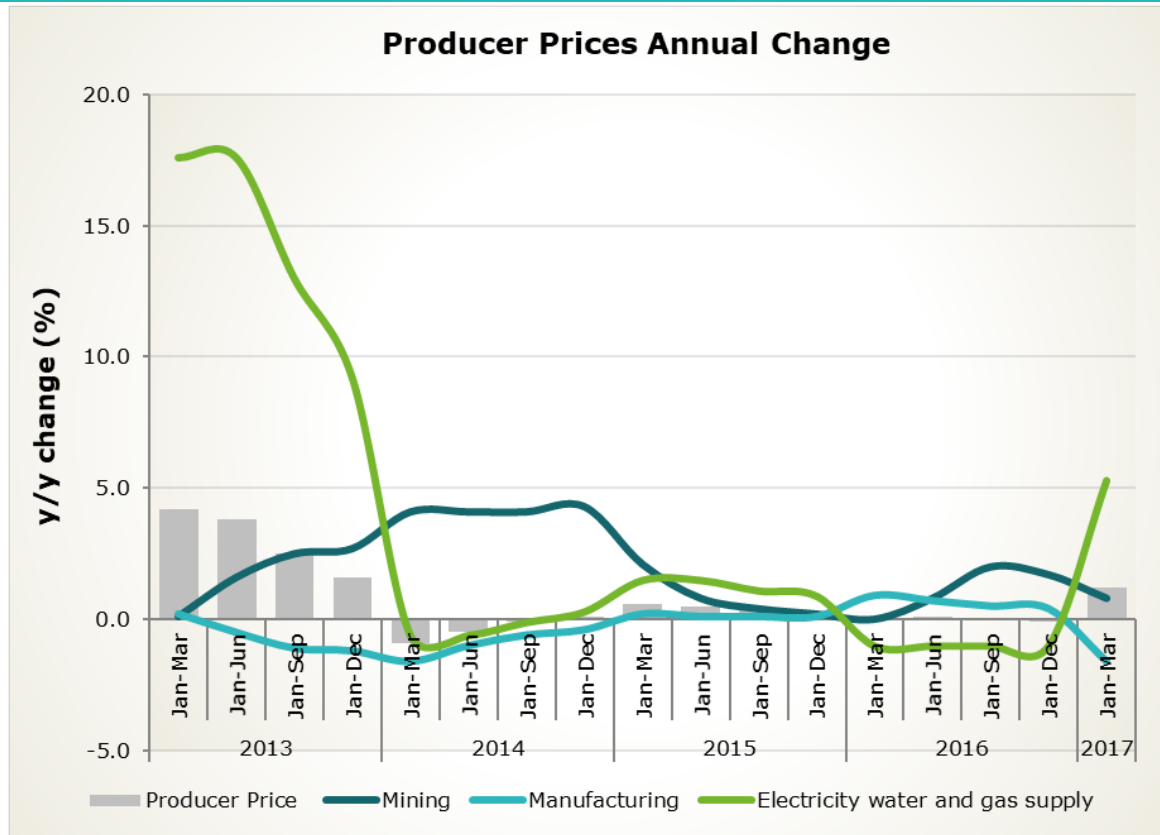
Segment wise, the highest annual increase in consumer prices, of 9.0%, was registered in transport, while furnishing, household equipment and routine household maintenance prices dropped the most – by 2.0%.



Source: MONSTAT

Producer prices inched up by 1.2% in Q1 2017, compared to the previous year. The electricity, gas and water supply sector registered an annual increase in producer prices of 5.3%, while producer prices in the manufacturing sector decreased by 1.6%.

Looking by segments, producer prices grew the most, by 14.4%, in the manufacturing of wearing apparel, while the sharpest decline, of 6.2%, was registered by manufacture of basic pharmaceutical products and preparations.



Source: MONSTAT

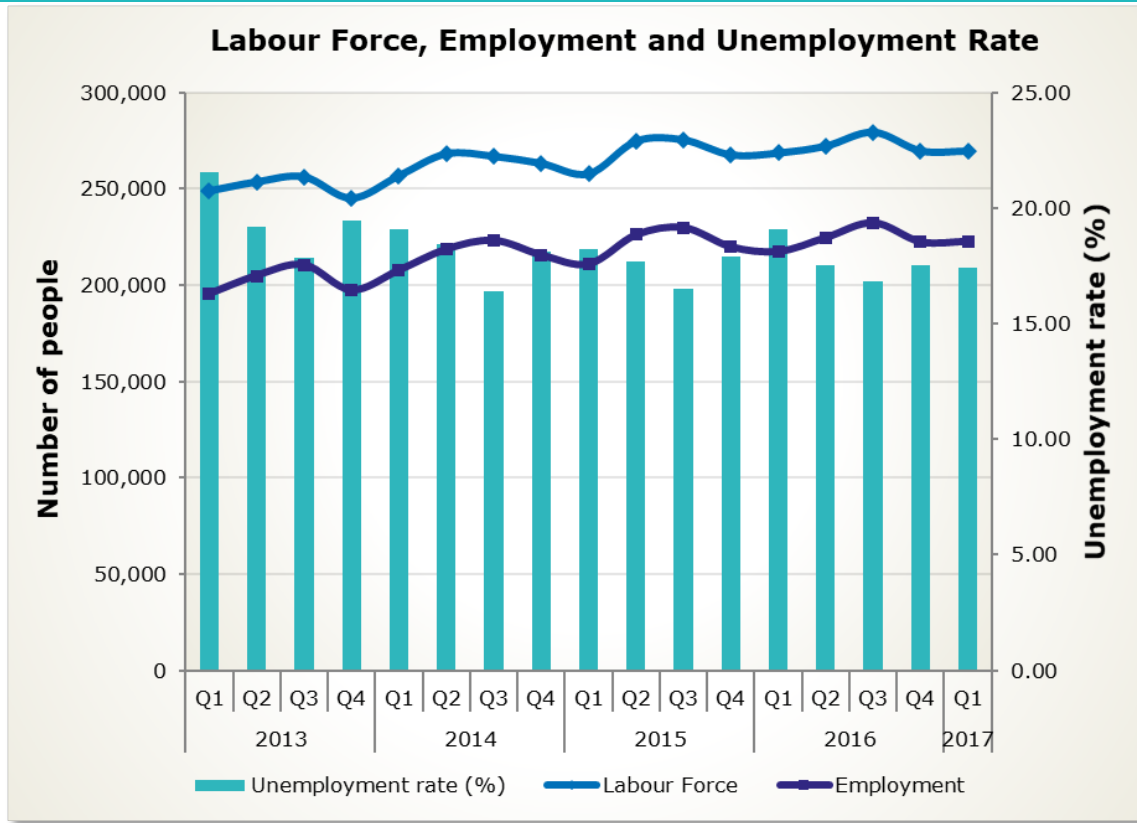
3. LABOUR MARKET

Unemployment rate at 17.4%, wages up 4.1% y/y in Q1 2017

Unemployment in Montenegro fell to 17.4% of the total labour force in Q1 2017 from 19.1% in Q1 2016, according to data of MONSTAT.

The employed population aged 15 years and older was 222,700 people in Q1 2017, up by 2.4% compared to the 217,400 a year earlier.

The youth (population aged 15-24) unemployment rate went down to 35.0% from 38.9%.



Source: MONSTAT

The average monthly net salary in Q1 2017 increased by 4.1% y/y to EUR 510, according to MONSTAT.

Employees in the financial and insurance activities had the highest average monthly net salaries, of EUR 919, followed by the electricity, gas, steam and air conditioning supply with EUR 846, and IT and telecommunications with EUR 707.

The lowest wage, of EUR 319, was paid in the administrative and support service activities. Wholesale and retail trade, repair of motor vehicles and motor recycles sector followed with EUR 349 and employees in the accommodation and food service activities earned the third lowest wages in the country, of EUR 369.

4. CONSTRUCTION AND REAL ESTATE

The number of building permits grew by 48.2% y/y in Q1 2017

The number of building permits issued in Montenegro in Q1 2017 increased by 48.2% y/y and totalled 249, according to MONSTAT data.

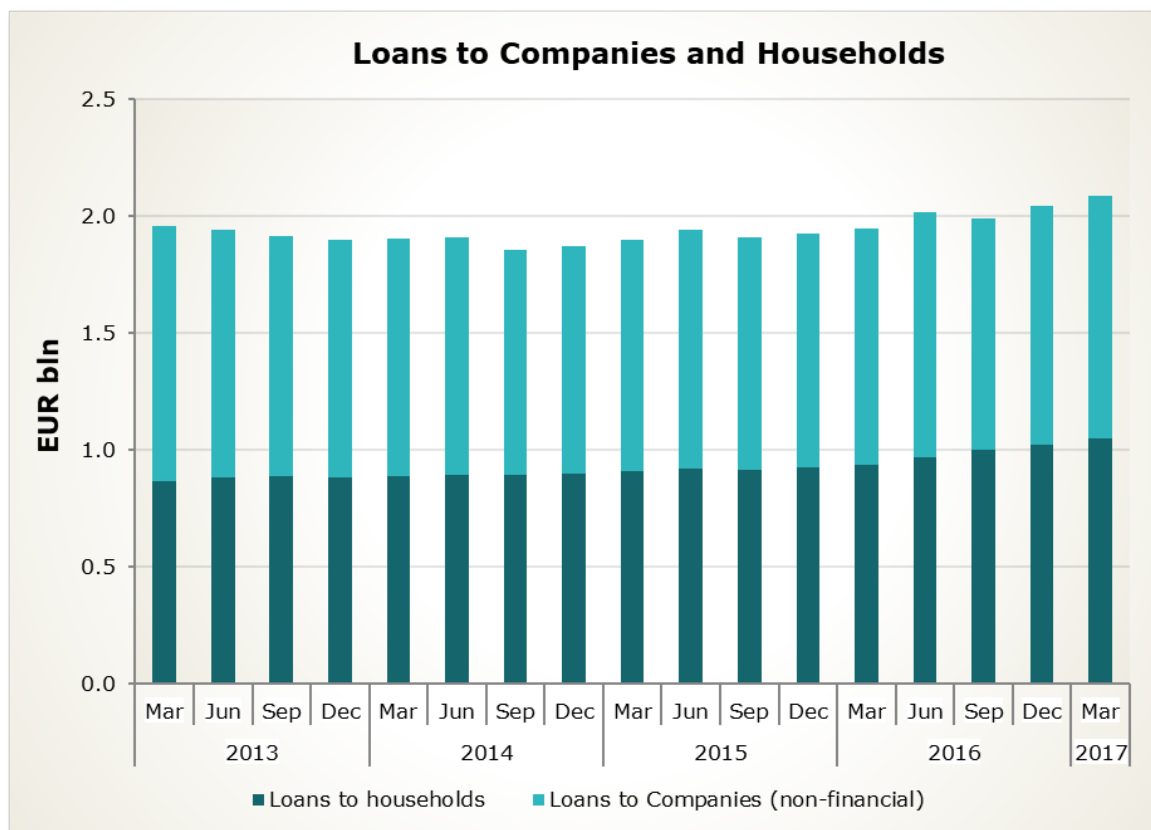
In line with the overall growth, the number of dwellings, covered by the permits, also increased by 27.3% to 690 and their total built-up area expanded to 47,474 sq m from 39,836 sq m.

5. BANKING AND INSURANCE

Household loans grew by 11.9% y/y at end-March 2017

Loans to the non-government and non-financial sector totalled EUR 2.087 bln as of March 2017, up by 7.2% y/y, according to Central bank of Montenegro (CBCG).

Household loans grew by 11.9% to EUR 1.046 bln, accounting for 50.1% of the total loans to the non-government and non-financial sector, while corporate loans went up by 3.0% to EUR 1.041 bln, slicing a 49.9% share.

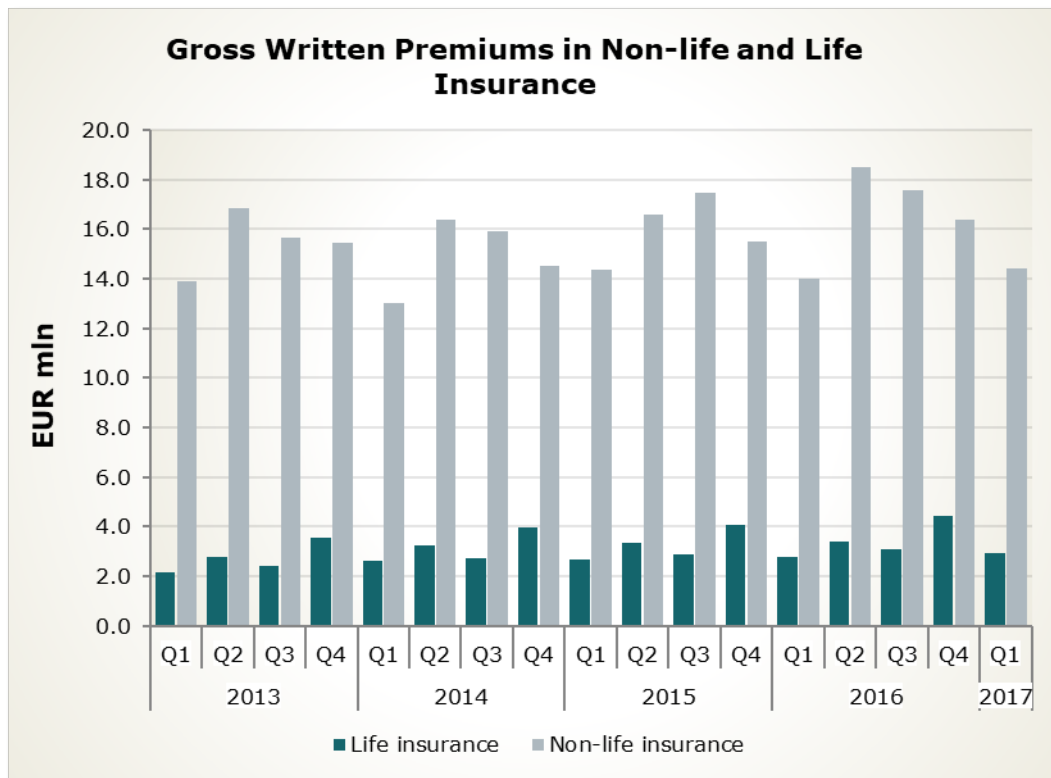


Source: CBCG

Insurance premiums went up 3.8% y/y in Q1 2017

The total gross written premiums of the Montenegrin non-life and life insurance companies stood at EUR 17.389 mln, up by 3.8% y/y, in Q1 2017, according to the country's Insurance Supervision Agency (ANO).

The premiums of the non-life insurance market stood at EUR 14.444 mln, or by 3.3% more than a year earlier, while the life insurance sector grew by 6.7% to EUR 2.945 mln.



Source: ANO

6. CAPITAL MARKETS

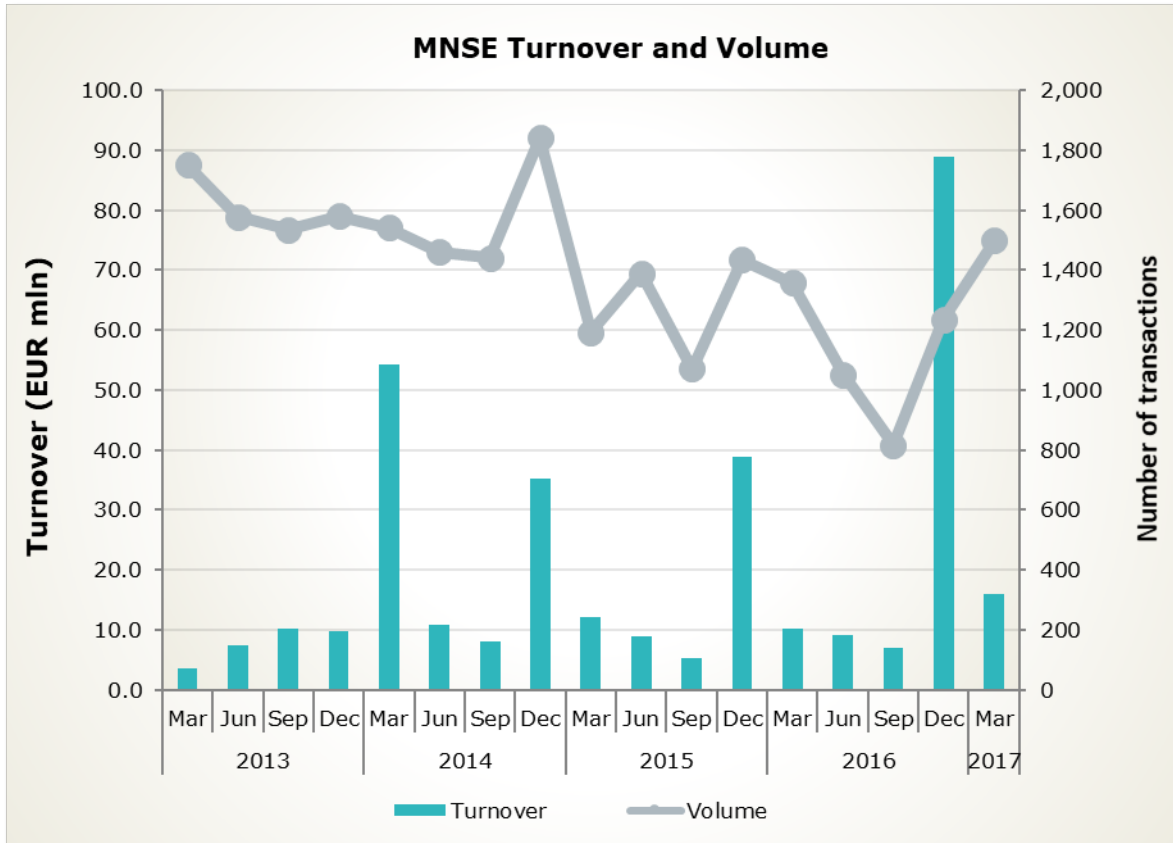
Blue-chip MNSE10* averaged 952 points in Q1 2017

*MNSE10 has replaced the former blue-chip index MONEX20.

In Q1 2017, the value of MNSE10, the blue-chip index of the Montenegro Stock Exchange (MNSE), averaged 952 points, compared to average value of 1,019 points in Q1 2016.

MNSE's market capitalization went up by 2.4% y/y to EUR 2.911 bln at end-March 2017.

The total turnover on the bourse jumped to EUR 16.0 mln in Q1 2017 from EUR 10.1 mln a year earlier.



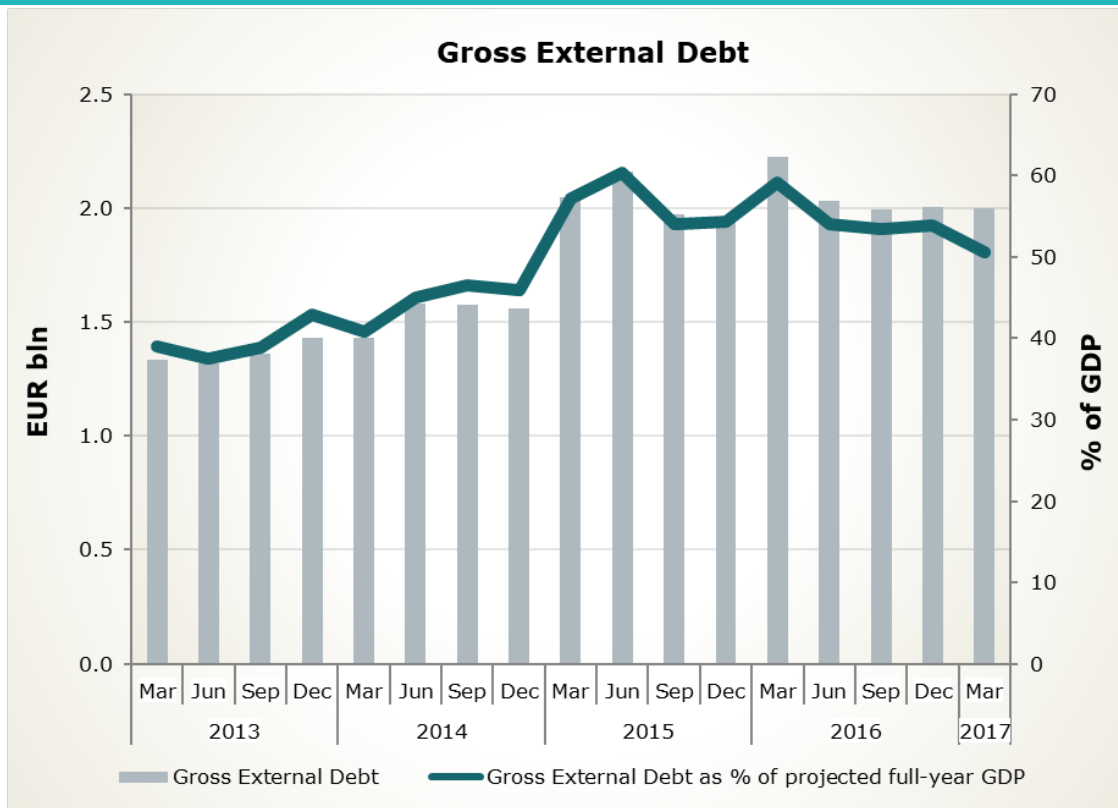
Source: MNSE

7. EXTERNAL SECTOR

7.1. FOREIGN DEBT

The gross external debt decreased annually to EUR 2.002 bln at end-March 2017

The gross external debt decreased to EUR 2.002 bln at the end of March 2017, down by 10% or EUR 222 mln, compared to a year earlier, according to CBCG. The gross external debt accounted for 50.6% of the projected full-year GDP.



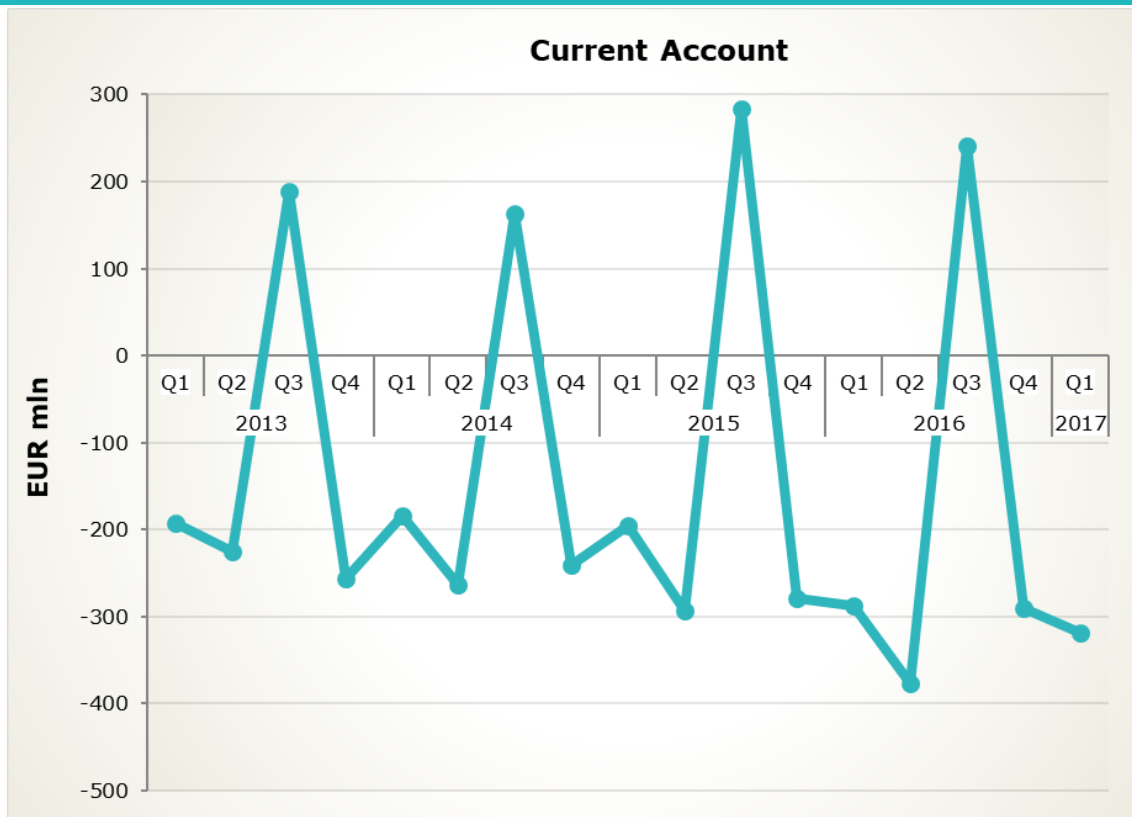
Source: CBCG

7.2. BALANCE OF PAYMENTS

Current account deficit at EUR 318.5 mln in Q1 2017

The current account deficit widened to EUR 318.5 mln in Q1 2017 from EUR 288.3 mln in Q1 2016, according to central bank statistics data.

Secondary income went up to EUR 34.7 mln compared to EUR 25 mln in Q1 2016.



Source: CBCG

7.3. FDI

Net FDI inflow at EUR 104 mln in Q1 2017

During the first three months of 2017, net FDI in Montenegro amounted EUR 104 mln, according to CBCG data. This is compared to negative net FDI flows of EUR 82 mln in Q1 2016.

The FDIs covered a third of the current account deficit of the country in Q1 2017.

7.4. FOREIGN TRADE

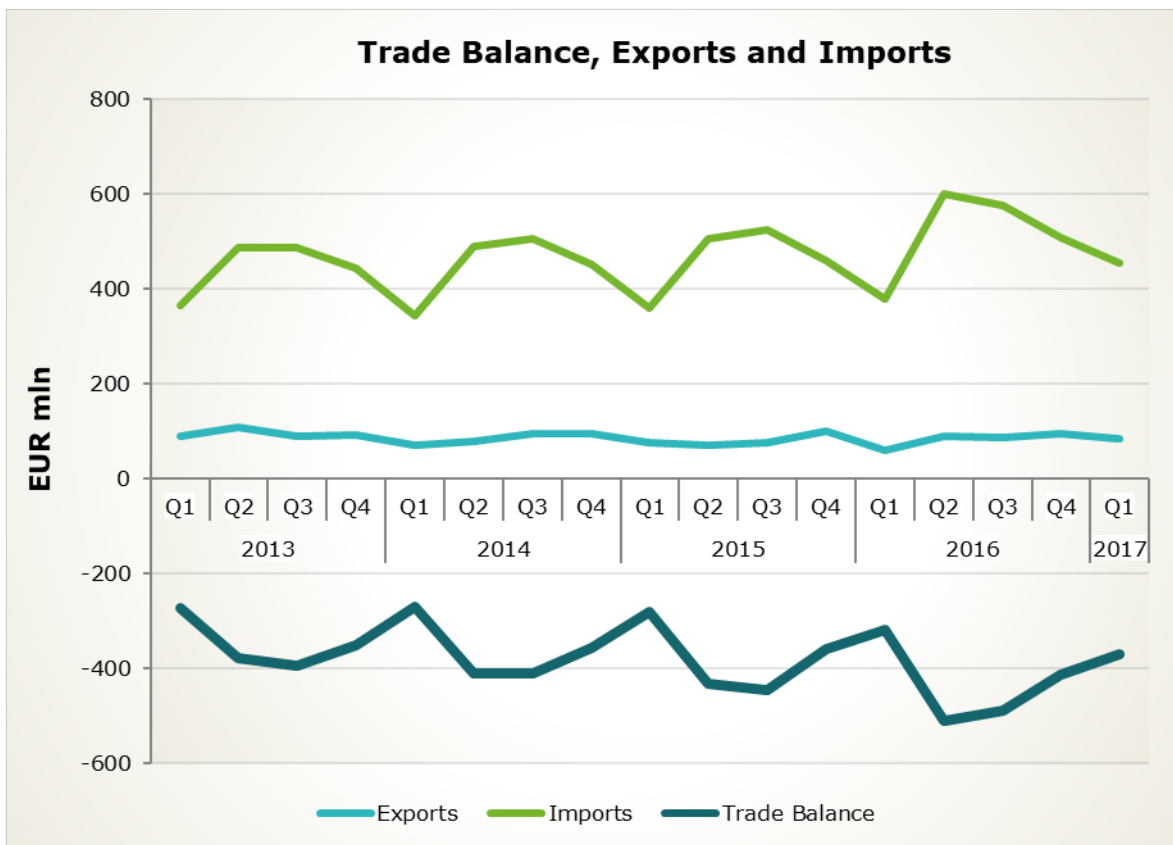
Foreign trade deficit grew by 16% y/y in Q1 2017

The trade deficit stood at EUR 369.8 mln in the first quarter of 2017, up 16% y/y, according to CBCG.

Exports of goods increased by 39.3% y/y to EUR 81.8 mln, while imports went up by 19.7% y/y to EUR 451.6 mln. The coverage of imports by exports was 18.1%, higher compared to the coverage for the same period of previous year - 15.6%.

The largest share in exports took materials exports - EUR 23 mln, which consisted of non-ferrous metals - EUR 16.9 mln, and iron and steel - EUR 3.4 mln. The group of machinery and transport equipment represented the largest share in imports in Q1 2017 with EUR 106.9 mln. It consisted of road vehicles - EUR 32.4 mln and general industrial machinery and equipment - EUR 21.8 mln.

Main trading partners in exports were Serbia - EUR 14.8 mln, Bosnia and Herzegovina - EUR 11.5 mln and Hungary - EUR 8.0 mln. Main trading partners in imports were Serbia - EUR 95.2 mln, China - EUR 42.9 mln and Germany - EUR 38.7 mln.

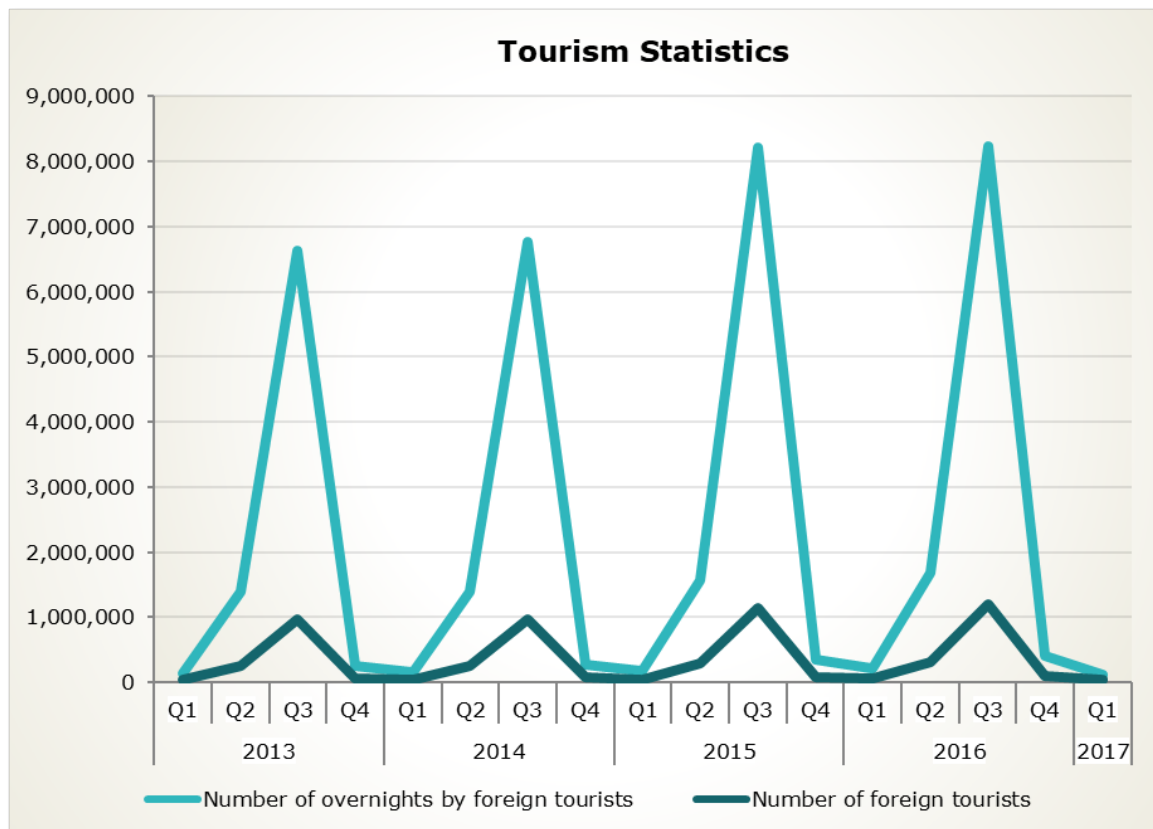


Source: MONSTAT

7.5. TOURSIM

Number of foreign tourist overnights slumped by 46.8% y/y in Q1 2017

Tourist overnights of foreigners plunged by an annual 46.8% to 111,576 in January-March 2017, according to MONSTAT.



Source: MONSTAT

FOR MORE MACROECONOMIC, INDUSTRY AND ON DEMAND RESEARCH AND ANALYSES, AS WELL AS COMPANY DATA VISIT SEENEWS.COM

DISCLAIMER:

Whilst the information contained in this Profile has been given in good faith and every effort has been made to ensure its accuracy, SeeNews cannot guarantee the accuracy of this information and hereby expressly disclaims any responsibility for error, misinterpretation and any and all loss, disappointment, negligence or damage caused by reliance on the information contained in the Profile or any failure or alleged failure in the delivery of the Service referred to herein, or in the event of bankruptcy, liquidation or cessation of trade in any company, individual or firm referred to herein. Confirmation of the information accuracy should be sought from the establishments concerned. Unless otherwise stated, the copyrights and any other rights in all material on this site are owned by SeeNews. Use of this Profile is provided by SeeNews subject to the following Terms and Conditions:

1. Use of this Profile constitutes your acceptance of these Terms and Conditions which take effect when you first use this Profile. SeeNews reserves the right to change these terms and conditions at any time by posting changes on line. You are responsible for reviewing regularly information posted on line to obtain timely notice of such changes. Your continued use of the Profile after changes are posted constitutes your acceptance of this agreement.
2. Neither SeeNews nor other related parties, whilst endeavouring to provide 24/7 availability, will be held liable if for any reason the Profile is unavailable at any time.
3. Access to this Profile may be suspended temporarily or permanently and without notice.
4. Whilst SeeNews endeavours to ensure that the information on this site is correct and up-to-date, no warranty, express or implied, is given as to its accuracy and SeeNews does not accept any liability for error or omission.
5. Part of this Profile contains materials submitted to SeeNews by third parties. Third parties are responsible for ensuring that materials submitted for inclusion on this Profile complies with national and relevant international law. SeeNews cannot guarantee the accuracy of this material and hereby expressly disclaims any responsibility for error, omission or inaccuracy in the material, misinterpretation and any all loss, disappointment, negligence or damage caused by reliance on the information contained in the Profile or any failure or alleged failure in the delivery of the services referred to herein, or in the event of bankruptcy, liquidation or cessation of trade of any company, individual or firm referred to herein. Confirmation of the information accuracy should be sought from the establishments concerned or from SeeNews upon explicit request.
6. SeeNews shall not be liable for any damages (including, without limitation, damages for loss of business or loss of profits) arising in contract, tort or otherwise from the use of or inability to use this Profile, or any data contained in it, or from any action or decision taken as a result of using this Profile or any such information.
7. SeeNews accepts no responsibility for the content of any site to which a hypertext link from this Profile exists. Such links are provided for your convenience on an "as is" and "as available" basis with no warranty, express or implied, for the information provided within them.
8. If any of these terms should be determined to be illegal, invalid or otherwise unenforceable by reason of the laws of any state or country in which these terms are intended to be effective, then to the extent and within the jurisdiction in which that term is illegal, invalid or enforceable, it shall be severed and deleted from the clause concerned and the remaining terms and conditions shall remain in full force and effect and continue to be binding and enforceable.
9. By accessing and reading any part of this Profile, you should have accepted these Terms in full.

Copyright

All rights reserved. Downloads and print extracts of SeeNews content are allowed for personal and non-commercial use only. Re-publication or re-distribution of content, including by framing, is strictly prohibited without the prior written consent of SeeNews.