

Responding to the Coronavirus Crisis

Update on Montenegro (01/07/20)



European Bank
for Reconstruction and Development

EBRD Policy Comparator

Financial Sector			Direct support to firms					Payment holidays			Temporary controls		Support to individuals				Increased social benefits			Health	External Assistance
Policy rate reduced	Liquidity increased	Prudential req. loosened	Wage subsidies	Tax/ social sec. contr. deferred	Loan subsidies	Guarantees	Inspections/ audits suspended	Loans	Rent	Utilities	Prices	Exports	Universal transfers	Self-employed	Pensioners	Low income households	Enhanced sick leave	Enhanced unemp. benefits	Public works	Additional spending	(available or negotiated)
		*	*	*	*			*	*						*	*	*	*		*	*

Economic channels of disruption

Tourism, private consumption, investments

- Severe lockdown (schools and many non-essential businesses closed; curfew) and other containment measures have negatively affected economic activity.
- Tourism receipts, accounting for 25% of GDP, to be strongly affected.
- Likely fall in remittances (11 per cent of GDP) to lead to a decrease in consumption.

Selected crisis impact indicators

EBRD GDP growth outlook (May 2020)	2020: -8% 2021: 10.5%
Share of legal entities' loans for which a moratorium on the repayment has been asked (April 2020)	73.4% of total number of legal entities' loans (EUR 535.1million total, 37% of corporate loans outstanding)
Share of travel agencies that might go bankrupt (Association of Travel Agencies; May 2020)	50%
Decline in foreign tourist arrivals (Jan-May 2020)	75.1% year-on-year

Crisis response measures to date

Support for businesses, healthcare and citizens

- Wage subsidies; subsidies for new employment
- Deferral of wage tax and social contribution payments.
- A credit line opened by the state-run Investment-Development Fund (IRF), offering help to affected companies with soft loans of up to EUR 3 million per beneficiary (2-year grace period, 1.5% interest rate).
- Lenders prohibited by the Central bank from paying dividends to shareholders.
- Banks allowed to raise exposure to single entity beyond limit of 25% of bank's own funds under certain conditions.
- COVID-19 healthcare workers March and April wages up to 15% increase.

Selected crisis response indicators

Extension of deadlines for loan repayments	90 days
Government support to most vulnerable citizens	EUR 1 million earmarked (EUR 50 per person)
Committed external assistance	IMF RFI: EUR 74 million EC MFA: EUR 60 million EC to extend EUR 53 million in coronavirus relief funds to the country

Key short-term priorities

Provide liquidity to the economy, particularly SMEs in tourism sector, and revenue support to vulnerable workers and other individuals