THE COVID-19 CRISIS IN MONTENEGRO

31 January 2021

COVID-19 health situation – December 2020/January 2021

- After having successfully achieved zero cases at the end of May, Montenegro began experiencing a second wave of infections throughout the summer and autumn, reaching new peak levels in November. The number of daily new cases decreased and stabilised in December and January, however, 10,048 total cases per 100,000 inhabitants, Montenegro continues to record one of the highest number of cases in Europe. On 28 January, the total number of cases reached 60,288, with 790 deaths since the outbreak.

<table>
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<tr>
<th>Evolution of active cases in Montenegro</th>
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<tr>
<td>Active Cases</td>
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<td>Total Coronavirus Currently infected</td>
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Source: Worldometers.info

- Wearing protective masks indoors and outdoors remains mandatory, including for children older than five years. Strict controls will continue to check whether people wear masks, while private business owners are in charge of assuring that on-site customers respect sanitary measures.

Policy reactions – December 2020/January 2021

Measures to slow the spread of the virus and support the health system

- Mobility and event restrictions: The National Coordination Body introduced uniform economy-wide measures on 14 November, which will remain in place until at least 10 February. A countrywide curfew
remains in place until at least 10 February, whereby leaving the place of residence is prohibited from 22:00 to 5:00. Walking in groups larger than four remains prohibited and only registered cultural events of up to 25 people and lasting no longer than 60 minutes are allowed. Religious and private gatherings are forbidden, while religious ceremonies can be performed without visitors.

- **Business restrictions**: Bars and clubs remain closed while non-essential businesses, including restaurants and cafes, may operate between 7:00 and 20:00, and catering services may remain open until 22:00, both of which are obliged to respect specific sanitary measures.

- **Education measures**: Public and private educational institutions, as well preschool institutions, partially reintroduced physical learning model. As of 16 November, it is applicable to preschool children, as well as students in grades one to six of elementary schools and grade one of high schools, while the rest will be following a remote learning programme. In case education moves to the online learning system again, one of the parents of a child under the age of eleven and children with special educational needs are entitled to paid leave.

- **Border crossings**: All border crossings for entry into Montenegro remain open, with the exception of Vuča (with Serbia) and Metaljka (with BiH). Passengers are only allowed to leave Montenegro between 7:00 – 19:00 at these crossings.

- **Travel bans**: As of 26 January, Montenegrin citizens and foreigners may enter through all border crossings without the obligation to test, except those coming from the United Kingdom, who must have a negative PCR test for the new coronavirus (SARS-CoV-2) within 72 hours before travelling. Citizens and foreigners with a residence permit from the U.K. who do not have a negative PCR test must quarantine or self-isolate for 14 days, or six days with a negative PCR test result.

**Economic support measures**

- Economic support measures continued throughout November and December, due to the previously extended wage subsidy programme, first introduced as a part of the government’s third package of support measures adopted in July. The measures introduced by the Central Bank on 22 October continue to be in effect and include a moratorium on loan repayment for citizens who lost their jobs due to the pandemic and a possibility of loan restructuring for those whose wages have fallen by at least 10%.

- On 28 January, the government adopted a new package of measures in the amount of EUR 163 million to support the economy and citizens for the first quarter of 2021, allocating funds for general economic support as well as additional support for the most vulnerable populations, tourism and catering, and agriculture and fisheries.

- The EU allocated an additional EUR 9.5 million to support the health sector in Montenegro in the fight against COVID-19. The grant includes investment in infrastructure, equipment and human capacity of the Montenegrin health system to control diseases and address health safety issues.

**Economic impact and outlook**

- **Budget**: As a result of economic slowdown and implemented fiscal measures, the government estimates the budget deficit to reach 7.3% of GDP in 2020, while some projections suggest a record high deficit of 10%. Government debt increased from 76.5% of GDP in 2019 to 87.3% of GDP in 2020. On 18 December, the Government of Montenegro decided to forego setting a budget until March, when a realistic budget can be made, and to use temporary financing in the meantime.
• **Macroeconomic data:** Montenegro experienced a sharp fall in GDP (between -12% - 14.9%), largely driven by losses in the tourism sector, with foreign tourist arrivals decreasing by 79.2% as of January 2021. Various projections for 2021 expect the annual GDP growth to reach between 5.5% and 6.1%. The economy experienced an annual inflation rate of -0.1% for 2020 while the projected annual inflation rate for 2021 is set at 0.7%. Registered unemployment in December 2020 increased by 13.4% compared to the same period in 2019. The total employment for the same period dropped by 13.2% compared to 2019, with the largest decrease of 37.9% recorded in the administrative and support services sector. The MNSE10 index reached its lowest value since the pandemic outbreak at 631.07 in early December. It lost around 8.3% of its value between 12 March and the end of 2020, after which it remained relatively stable, settling at 723.23 on 29 January.

• **Fiscal data:** As a result of declining tax revenues, largely due to the collapse of the tourism sector, the central government registered a cash deficit of 8.5% of GDP from January to November, compared to the revised budget plan’s deficit of 7.3% of GDP for the whole year. Revenues in nearly all categories, except for corporate tax income, were lower compared to the same period of 2019, while capital expenditure fell by 30.6% y-o-y, still remaining 9.8% above the plan. On 9 December, the government issued a EUR 750 million seven-year Eurobond with an interest rate of 2.875% to help the government cover 2021 financing needs (estimated at EUR 520 million).

All previously published COVID-19 notes for Montenegro can be accessed [here](http://www.oecd.org/termsandconditions).