Montenegro’s economic freedom score is 61.5, making its economy the 91st freest in the 2020 Index. Its overall score has increased by 1.0 point, primarily because of a higher government integrity score. Montenegro is ranked 42nd among 45 countries in the Europe region, and its overall score is well below the regional average and approximately equal to the world average.

The economy of Montenegro has been moderately free for over a decade. GDP growth has been good by European standards, driven by household consumption, investment in infrastructure, and higher tourism receipts.

Montenegro’s long-term political stability remains uncertain. Political tensions are fueled in part by discontent about corruption, the weak rule of law, and limited media freedom. The same concerns hold back greater economic freedom. The government is seeking to address and strengthen public-sector finances, which would improve weak indicators for government spending and fiscal health, but no similar efforts are underway to strengthen the rule of law.

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**BACKGROUND:** Montenegro declared independence from Serbia in 2006, introduced significant privatizations, and adopted the euro despite lack of membership in the eurozone. It joined NATO in 2017. Milo Đukanovic won election to a second, nonconsecutive term as president in 2018. Đukanovic has served as president or prime minister for nearly all of the past 25 years and has steered the country in a generally pro-Western direction. Although his Democratic Party of Socialists won the most seats in 2016 parliamentary elections, it failed to secure a majority, and his longtime ally Duško Markovic became prime minister in a coalition government. Growing tourism along Montenegro’s Adriatic coast has been generating jobs and investment.

**RECENT FREEDOM TREND**

**QUICK FACTS**

**POPULATION:** 0.6 million

**GDP (PPP):** $11.9 billion

4.5% growth in 2018

5-year compound annual growth 3.5%

$19,043 per capita

**UNEMPLOYMENT:** 15.5%

**INFLATION (CPI):** 2.6%

**FDI INFLOW:** $489.6 million

**PUBLIC DEBT:** 72.1% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019
The Real Estate Administration has taken steps over the past few years to improve the quality and service provided in the registry, but additional improvements are needed. Despite continuing efforts to bolster judicial independence, the judiciary remains susceptible to pressure from the government, and judicial corruption persists. Corruption and cronyism remain widespread, and corrupt high-level officials rarely face prosecution.

The personal income and corporate tax rates are a flat 9 percent. Other taxes include value-added and inheritance taxes. The overall tax burden equals 36.0 percent of total domestic income. Government spending has amounted to 47.6 percent of the country’s output (GDP) over the past three years, and budget deficits have averaged 6.4 percent of GDP. Public debt is equivalent to 72.1 percent of GDP.

Montenegro continues to transition to a market system, and around 90 percent of its state-owned enterprises have been privatized. Labor force participation is low, and the unemployment rate is high. About 25 percent of the labor force works informally. The government is trying to sell money-losing state-owned assets and announced in 2019 that it would not subsidize construction of small hydropower plants.

The total value of exports and imports of goods and services equals 110.6 percent of GDP. The average applied tariff rate is 3.1 percent, but cumbersome nontariff barriers increase the cost of trade. Although foreign investment is officially welcome, the investment regime remains bureaucratic and undercuts more dynamic investment growth. The small financial sector has gradually become more competitive and diversified.