Montenegro’s economic freedom score is 60.9, making its economy the 77th freest in the 2023 Index. Its score is 3.1 points higher than last year. Montenegro ranks 38th out of 44 countries in the Europe region, and its overall score is above the world average.

Montenegro is developing a more vibrant economy. The trade framework is relatively open, and a more efficient regulatory environment supports a growing private sector. Ineffectiveness in fighting corruption and a lack of institutional commitment to the strong protection of property rights undermine prospects for long-term economic growth. The judicial framework remains vulnerable to political interference.

**BACKGROUND:** Montenegro declared independence from Serbia in 2006, introduced privatizations, and (though not a member of the eurozone) adopted the euro. It joined NATO in 2017 and is an EU candidate country. The Democratic Party of Socialists, in power for 30 years, failed to form a majority after the August 2020 elections. Prime Minister Dritan Abazovic of the Green URA party formed a minority government in April 2022 following the pro-Serbian coalition’s collapse. Major challenges include political instability, corruption, and a lack of inward investment. In July 2022, Abazovic’s government signed a controversial agreement on relations with the Serbian Orthodox Church.
The overall rule of law is weak in Montenegro. The country’s property rights score is above the world average; its judicial effectiveness score is below the world average; and its government integrity score is above the world average.

The top individual and corporate tax rates are 15 percent. The tax burden equals 27.0 percent of GDP. Three-year government spending and budget balance averages are, respectively, 47.7 percent and –4.8 percent of GDP. Public debt equals 86.6 percent of GDP.

Procedures for establishing businesses have been streamlined, and the number of licensing requirements has been reduced, but the pace of reform has slowed. Inflexible labor regulations discourage more dynamic job creation. Overall price levels have moderated, but inflationary pressures persist.

The trade-weighted average tariff rate is 5.4 percent. The regulatory and legal frameworks that govern foreign investment generally facilitate the growing private sector’s development. The financial sector is small, but the level of foreign banks’ participation and investment is significant.