Enterprise operations, year 2013

Statistical office of Montenegro - MONSTAT
Podgorica, year 2014

PREFACE

Statistical Office of Montenegro - MONSTAT in order to harmonize with international standards and European statistical system continued to work on the monitoring, collection and publishing data of the market economy that are internationally comparable.

Implementation of structural business statistics is in line with EU Regulation No. 295/2008, which establishes a single framework for the collection, processing and publication of data on the activities of the company.

Calculation of business indicators is based on data obtained from financial statements of companies, data from investment research (INV-01) and the data that are available from the Business Register, for small, medium and large enterprises.

In accordance with the European standards, the Statistical Office of Montenegro - MONSTAT has prepared "Enterprise operations, year 2013".

This publication contains the methodological explanations of statistical indicators, that are allowing proper and easier use of information presented, as well as the the main indicators of the Montenegrin business according to the different activities and enterprise clasess.

Consists of two chapters, in the first chapter are specified methodological explanations, while the second chapter apply to elements that are essential for the structural analysis of businesses in the economy, starting with the the production value, costs, turnover, investments, business entities in Montenegro, etc.

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1 Methodological explanations

1.1 The aim and purpose of research

The aim of this survey, "The annual structural business statistics survey" (SBS 01), is to describe the economy through the observation of institutional units involved in the creation of economic activity.

The purpose of the survey is to provide indicators that are needed to analyze the structure of activities of economic entities, the structure of inputs and outputs in the production process, business success and competitiveness of economic agents at a certain level of activity.

1.2 Legal basis

The legal basis for the implementation statistical survey is the Law on Official Statistics and the system of official statistics ("Off.Gazette of Montenegro", no. 18/12) and EU Regulation 295/2008.

European Commission Regulation no. 295/2008 is regulation that is defining the methodology of collecting, calculating, checking and publishing data on the operation of business enterprises.

Other regulations that supplement and / or amend the methodological framework set by regulation 295/2008 are:

- *Regulation 250/2009 which defines the set of variables that needs to be collected in this study, the technical format that must be followed when transferring data as well as the reporting to the Classification of Economic Activities (NACE Rev. 2).*
- *Regulation 251/2009 that supplements the main regulation 295/2008 in part of a series of data that must be produced for structural business statistics.*
- *Regulation 275/2010 that defines the criteria for assessing the quality of research (guality reporting).*

1.3 Coverage

In accordance with the methodology used for the implementation of this research, are covered all business entities that are registered, according to the classification of activities KD2010[1], in the following sectors:

[1] *Classification of Economic Activities KD 2010 is harmonized with the Classification of Economic Activities of the European Community (NACE Rev. 2).*

Table 1 Observed sectors, by Nace Rev 2 (KD 2010)

Section	Title	Division
B	Mining and quarrying	05-09
C	Manufacturing	10-33
D	Electricity, gas, steam and air conditioning supply	35
E	Water supply; sewerage, waste management and remediation activities	36-39
F	Construction	41-43
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	45-47
H	Transportation and storage	49-53
I	Accommodation and food service activities	55-56
J	Information and communication	58-63
L	Real estate activities	68
M	Professional, scientific and technical activities	69-75
N	Administrative and support service activities	77-82
P	Education	85
Q	Human health and social work activities	86-88
R	Arts, entertainment and recreation	90-93
S	Other service activities	94-96

The following sectors of activity according to the classification KD 2010 are not included in this study:

- *Agriculture, forestry and fishing - Sector A*
- *Financial and insurance activities - Sector K*
- *Public administration and defense, compulsory social security - Sector O*
- *Activities of households as employers, household activities that produce goods and services for their own use-T sector*
- *Activities of extraterritorial organizations and bodies - Sector U.*

In addition to business entities that are registered in these non-covered sectors of activity, forms of association such as cooperatives, social enterprises, civic associations, social and political organizations and entrepreneurs are also excluded from this survey.

Number of companies refers to the number of registered businesses adjusted in accordance with the requirements of Regulation 295/2008, on the way to include all economic entities who are active, who had a turnover and employees during the reference period.

Business entities are classified according to size into three classes according to the number of employees:

- *Small – from 0 to 49 employees*
- *Medium – from 50 to 249 empolyees*
- *Large – more than 250 employees*

In Montenegro, the number of business entities that are monitored by research "Structural Business Statistics," in 2012 was the highest in the sector "Wholesale and retail trade and repair of motor vehicles and motorcycles", while the lowest number of businesses in the sector of "Education ".[2]

1.4 Sources of data collection

Data shown in this publication were compiled from available data sources.

Administrative data sources are the financial statements of business entities and the statistical annex (Tax Administration of Montenegro).

Other sources were statistical surveys of MONSTAT: • investments • short-term statistics, and • available data from the Business Register.

[2] Total number of enterprises in Montenegro is monitored within the Department of Business Register, Statistical Office of Montenegro

2 Basic economic categories

2.1 Gross output, intermediate consumption and gross value added

Gross output is defined as the market value of all goods and services at the level of the national economy. Gross output measure really produced quantity of goods and services, based on sales, including changes in stocks of goods and services, as well as their resale.

Intermediate consumption is valued at the purchase price and represents the value goods and services that are transformed, used or consumed in the production process.

Gross value added represents the difference between gross output and intermediate consumption.

Table 2 shows categories: gross output, intermediate consumption and gross value added by sector of activity classification KD 2010(Nace Rev 2), in thousand EUR.

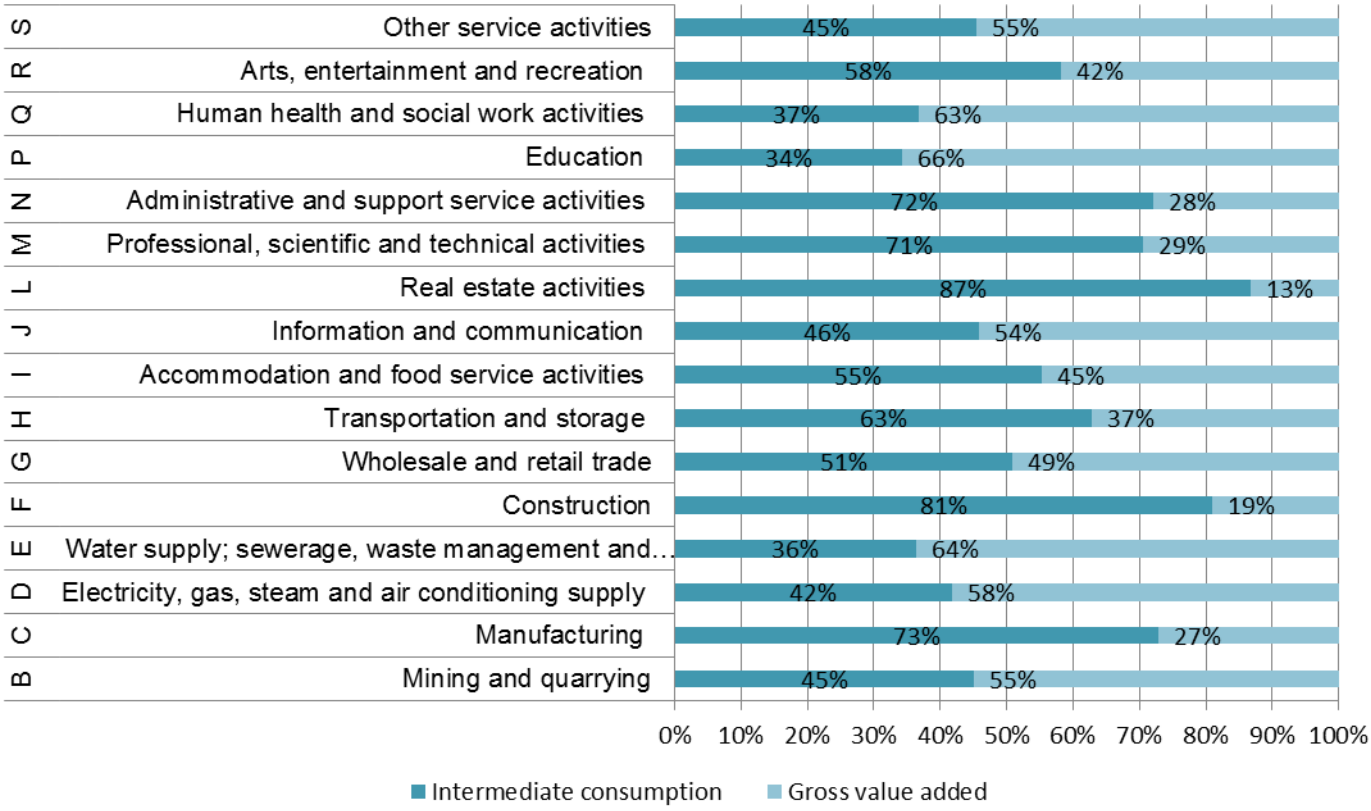
Table 2 Gross output, intermediate consumption and gross value added by sector of activity classification KD 2010(Nace Rev 2), in thousand EUR.

Section	Title	Gross output	Intermediate consumption	Gross value added
B	Mining and quarrying	61 604	27 737	33 868
C	Manufacturing	417 261	304 017	113 244
D	Electricity, gas, steam and air conditioning supply	251 177	104 927	146 250
E	Water supply; sewerage, waste management and remediation activities	101 333	36 830	64 503
F	Construction	366 170	296 510	69 660
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	762 278	388 066	374 212
H	Transportation and storage	319 846	200 722	119 123
I	Accommodation and food service activities	212 491	117 351	95 140
J	Information and communication	283 035	129 854	153 181
L	Real estate activities	44 709	38 769	5 940
M	Professional, scientific and technical activities	206 218	145 442	60 775
N	Administrative and support service activities	124 442	89 639	34 804
P	Education	15 161	5 179	9 982
Q	Human health and social work activities	34 444	12 680	21 763
R	Arts, entertainment and recreation	58 686	34 165	24 521
S	Other service activities	22 364	10 152	12 212

The highest output value is realized in the sector "Wholesale and retail trade and repair of motor vehicles and motorcycles", 762 278 thousands euro. Sector "Manufacturing" is achieved output value of 417 261 thousands euro.

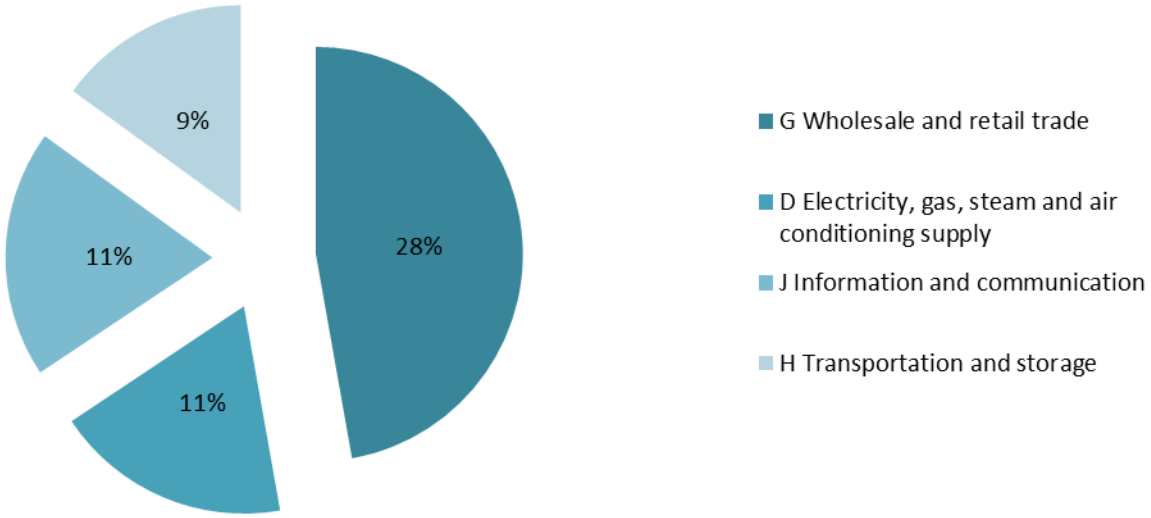
The graph 1 shows the share of intermediate consumption and gross value added in gross output. In the sector of "Construction" share of intermediate consumption in the gross value of production amounted to 81%. In the sector of "Wholesale trade, retail trade and repair of motor vehicles and motorcycles" share of intermediate consumption accounted for 51% while the share of gross value added to gross output amounted to 49%.

Graph 1 the share of intermediate consumption and gross value added in gross output, %



The graph 2 shows the share of gross value added by sectors in the total gross value added of all observed sectors.

Graph 2 the share of gross value added by sectors in the total gross value added, %



Sector "Wholesale and retail trade and repair of motor vehicles and motorcycles" has achieved 28% share of gross value added in total gross value added. Sectors "Electricity, gas, steam and air conditioning" and "Information and communication" with participation of 11% of gross value added in total value. Followed by sector "Transport and storage" with a share of 9%.

Table 3 shows the structure of gross output, intermediate consumption and gross value added by enterprise size class (number of employees).[3]

Table 3 Gross output, intermediate consumption and gross value added by enterprise size class, in thousand EUR

Size class	Gross output	Intermediate consumption	Gross value added
Small	1 551 111	1 071 073	480 038
Medium	817 863	433 467	384 396
Large	912 244	437 499	474 745
Total	3 281 218	1 942 038	1 339 180

[3] Data are grouped for reasons of confidentiality of individual data, in accordance with the Law on Official Statistics and the system of official statistics and the European Commission Regulation no. 250/2009, individual data is treated as confidential and not published (Chapter XIII, Articles 54-61).

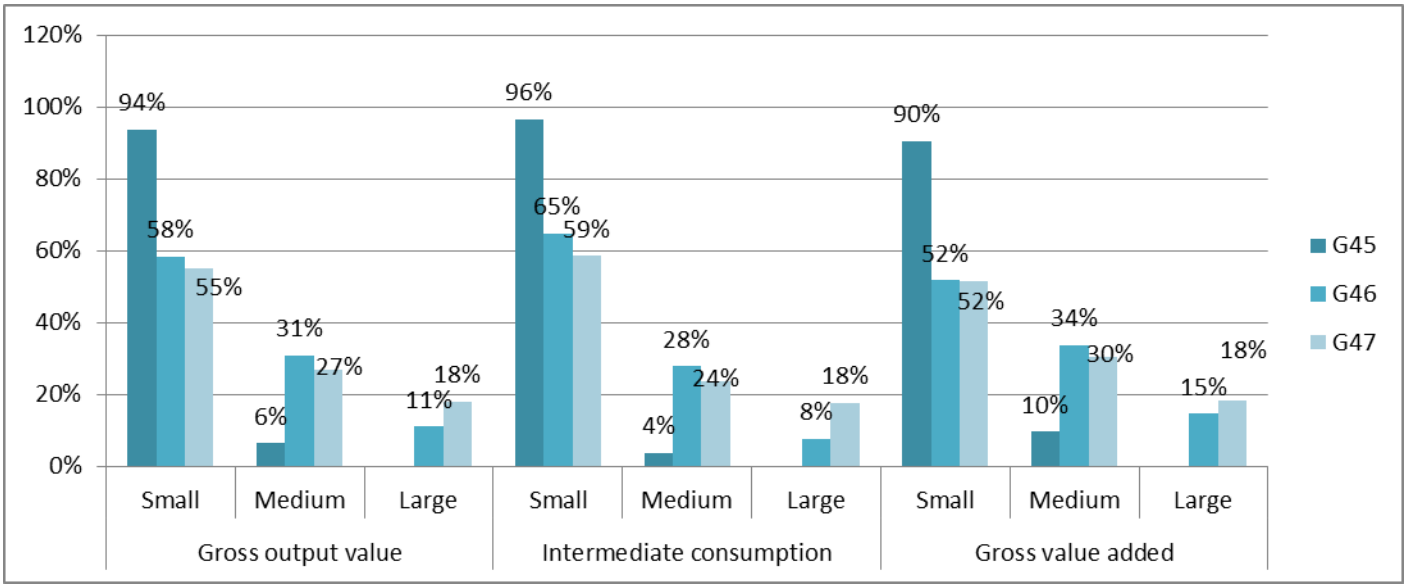
Gross output value of 1 551 111 thousand EUR was realized by small enterprises and is 47% of the total value of gross output. The value of intermediate consumption realized by small enterprises is 55% of the total value of intermediate consumption, while the value of gross value added by small enterprises is 36% of the total gross value added.

Sector of "Wholesale and retail trade and repair of motor vehicles and motorcycles", consists from the following divisions:

- *G45 - Wholesale and retail trade and repair of motor vehicles and motorcycles*
- *G46 - Wholesale trade, except of motor vehicles and motorcycles*
- *G47 - Retail trade, except of motor vehicles and motorcycles.*

Gross output value was realized mostly by small enterprises in the division G45, 94%. The same case is with divisions G46 and G47, with 58% and 55% realized by small enterprises. The value of intermediate consumption is realized by small enterprises, 96% for division G45, 65% for division G46 and 59% for division G47 (Figure 3).

Graph 3 the shares of gross output, intermediate consumption and gross value added in total value of these variables, by size class for "Wholesale and retail trade and repair of motor vehicles and motorcycles", %

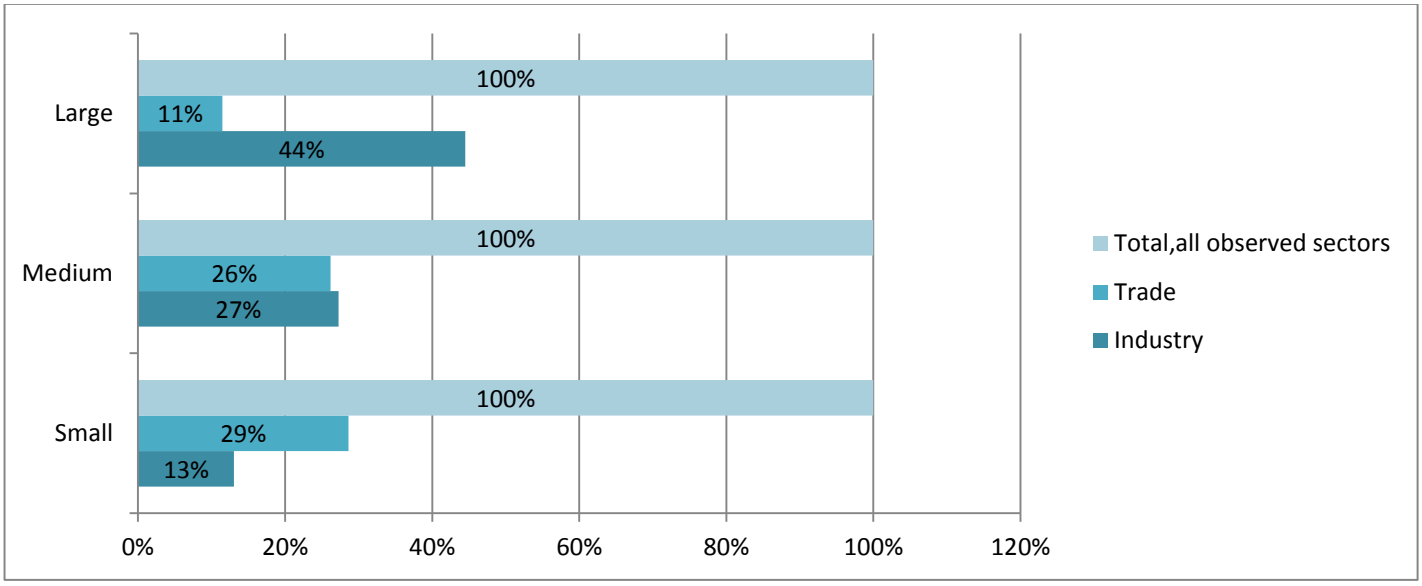


Structure of gross output by enterprise size class, grouped in sector "Industry" was presented in graph 4.

According to the classification of activities KD 2010(Nace Rev 2) the followingsectors are included in industry:

- *Mining and quarrying*
- *Manufacturing*
- *Electricity, gas, steam and air conditioning supply*
- *Water supply; sewerage, waste management and remediation activities.*

Graph 4 the share of gross output of sectors "Industry" and "Wholesale and retail trade and repair of motor vehicles and motorcycles" in total value of gross output of all observed sectors, by size class, %



The gross output realized by large enterprises had the biggest share of 44% achieved by the sector "Industry". In a class of medium-sized enterprises participation of industry was 27% in the realization of gross value added, while in the category of small enterprises realized share was 13% (Graph 4) .Sector "Trade" is characterized by the highest share of gross value added in the total production value of all observed sectors, achieved by small businesses, 29%.

2.2 Turnover

According to Regulation 250/2009 turnover includes incomes from sales of products, goods and services, income generated from other business activities. Financial and extraordinary income in enterprises accounts is not a result of operating activities and, as such, is not included in the turnover.

Turnover is presented in Table 4.

Value of turnover was highest in the sector of "Wholesale and retail trade and repair of motor vehicles and motorcycles" and that value represents 50% of the total turnover of the observed sectors.

Turnover in the sector "Manufacturing" amounted to 613 839 thousand EUR or 10% of the total turnover of the observed sectors.

Table 4 Turnover by Nace Rev 2 clasification, by sections, in thousand EUR

Section	Title	Turnover
B	Mining and quarrying	62 349
C	Manufacturing	613 839
D	Electricity, gas, steam and air conditioning supply	307 895
E	Water supply; sewerage, waste management and remediation activities	123 159
F	Construction	463 033
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	3 212 921
H	Transportation and storage	353 767
I	Accommodation and food service activities	250 800
J	Information and communication	312 327
L	Real estate activities	53 475
M	Professional, scientific and technical activities	310 855
N	Administrative and support service activities	135 315
P	Education	15 341
Q	Human health and social work activities	36 490
R	Arts, entertainment and recreation	90 590
S	Other service activities	32 225

Sector of "Trade" had a share of 52% of the total turnover realized by small enterprises. Sector of "Service" is characterized by the participation of 28% of the turnover generated by small enterprises while the share of the value of the turnover in the class of medium enterprises by sector "Trade" accounted for 55% of the total turnover of this class. Concerning large enterprises, sector "Trade" had the largest share, 41% of the total turnover of the large enterprises (graph 5).

Graph 5 shares of the turnover of the observed sectors in the total turnover, according to the class of enterprises, in%

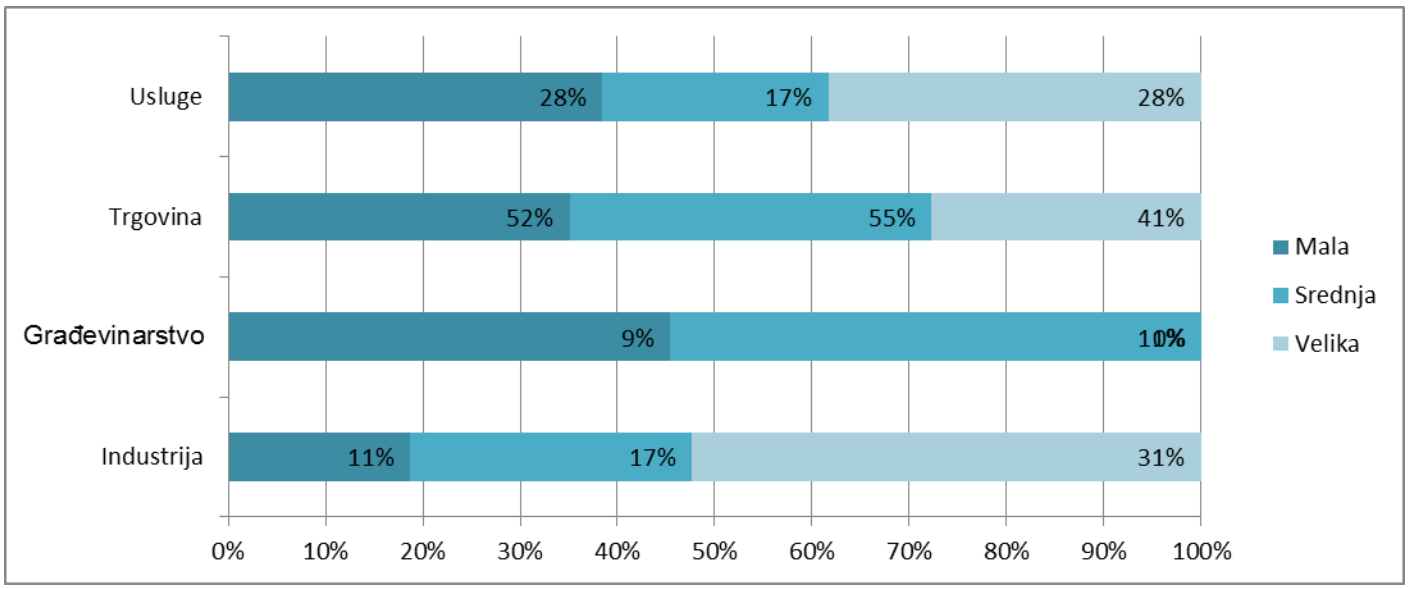


Table 5 Turnover by sectors "Industry", "Construction", "Trade" and "Services" to the class of enterprises by number of employees, in thousands of EUR

	Small	Medium	Large
Industry	347 837	297 952	461 453
Construction	277 648	185 385	-
Trade	1 635 956	962 911	614 054
Services	879 196	295 302	416 687

2.3 Costs

Purchases of of goods and services include value of all goods and services purchased during an accounting period for resale or consumption in the production process. Goods and services can be resold with or without further processing, fully used in the production process or left as stock

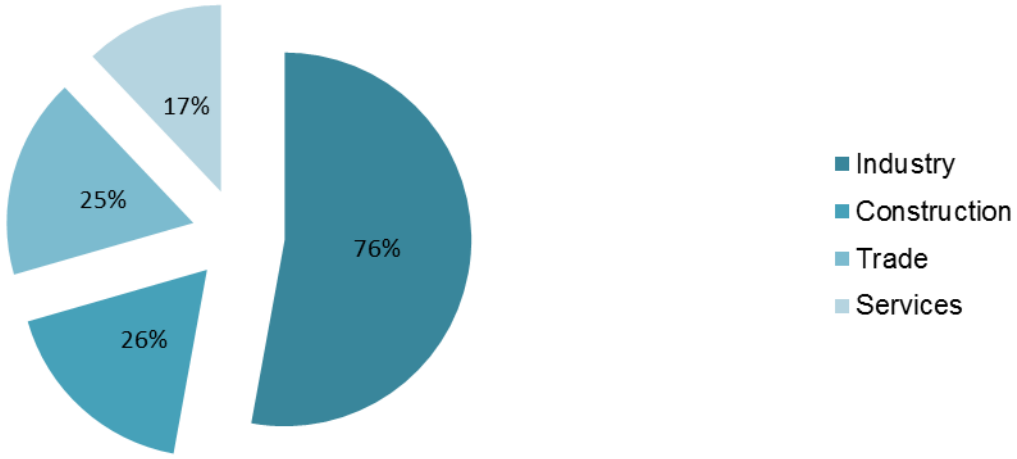
Table 6 purchase of goods and services, costs of material, in thousand EUR

Section	Title	Purchase of goods and services	Costs of material
B	Mining and quarrying	827	16 812
C	Manufacturing	203 009	220 036
D	Electricity, gas, steam and air conditioning supply	57 119	53 498
E	Water supply; sewerage, waste management and remediation activities	21 817	24 095
F	Construction	116 242	161 115
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	2 456 085	122 040
H	Transportation and storage	35 343	74 548
I	Accommodation and food service activities	39 207	57 712
J	Information and communication	29 856	21 955
L	Real estate activities	12 161	4 989
M	Professional, scientific and technical activities	106 121	50 576
N	Administrative and support service activities	10 916	11 015
P	Education	216	1 051
Q	Human health and social work activities	2 206	6 484
R	Arts, entertainment and recreation	32 037	4 121
S	Other service activities	10 162	3 549

Table 6 presents the following costs, purchases of goods and services and the cost of materials , in thousand EUR.

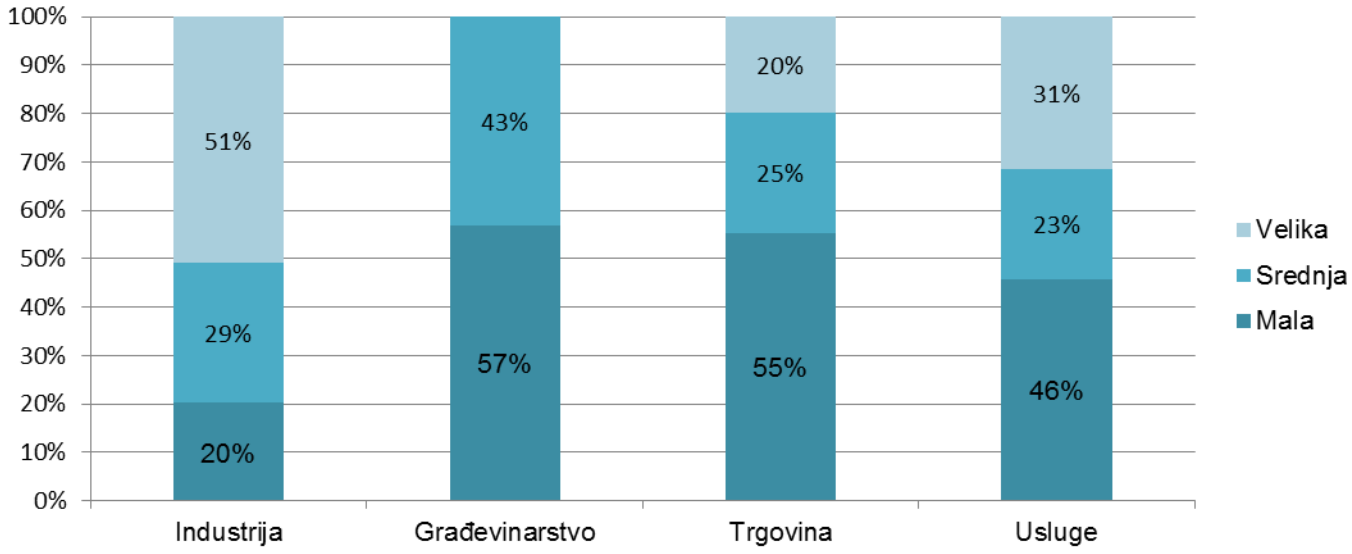
Total purchases of goods and services reached the highest value in the sector "Wholesale and retail trade, repair of motor vehicles and motorcycles", and to 2,456,085 thousands euro. Material costs were the highest in the sector "Manufacturing", and to 220 036 thousands euro.

Graph 6 the share of purchase of goods and services in turnover, by sections, in %



On Graph 6 are presented percentage shares of purchases of goods and services in the total turnover of business entities by sectors. The largest share of 76% was achieved in the sector "Wholesale and retail trade and repair of motor vehicles and motorcycles". After this sector sectors of "Industry" had share of 26%. A minimum participation of 17% of the purchase value of the total turnover is realized in the sectors "Service".

Graph 7 the share of the costs of salaries, benefits and other employee benefits in the total amount of observed sector, according to the class of enterprises by number of employees, in thousands. EUR



Wages, salaries and other personal expenses in sector of "Industry" have been achieved by large companies, and 51% of the total value of these costs of the sector. Sectors "of Construction", "Trade" and "Service" are characterized by the highest costs of salaries, benefits and other employee benefits earned by small businesses. Sector "of Construction" had a share of 57% of salary costs generated by small businesses, the sector "Trade" 55% of the sector "Service" 46%.

2.4 Investments

Gross fixed capital formation represent the physically achieved building of investment goods and performed production or purchase of investment property during the year, regardless of whether and when the payment was executed.

Table 8 shows investment by sectors in the 2013th year. At the aggregate level the highest amount of gross investment was in sector of "Wholesale and retail trade repair of motor vehicles and motorcycles" in the amount of 80 110 thousand EUR, while the lowest amount of investment was in the sector of "Education" in the amount of 76 thousand EUR.

The greatest value of the investment in construction of buildings and other structures is also in the sector "Wholesale and retail trade and repair of motor vehicles and motorcycles" and to 42 498 thousands euro.

Table 7 Gross investment in tangible goods, construction of buildings and other structures, in machinery and equipment, in thousand EUR

Section	Title	Gross investement in tangible goods	Investements in construction of buildings	Investments in machinery and equipment
B	Mining and quarrying	15 389	7 604	7 264
C	Manufacturing	39 642	16 827	18 392
D	Electricity, gas, steam and air conditioning supply	35 047	4 035	30 786
E	Water supply; sewerage, waste management and remediation activities	6 990	6 503	271
F	Construction	24 607	20 941	1 575
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	80 110	42 498	14 730
H	Transportation and storage	46 522	3 059	669
I	Accommodation and food service activities	20 525	18 773	3 583
J	Information and communication	22 740	4 113	16 886
L	Real estate activities	15 434	15 423	-
M	Professional, scientific and technical activities	10 928	9 512	623
N	Administrative and support service activities	2 482	275	1 119
P	Education	76	-	32
Q	Human health and social work activities	814	-	673
R	Arts, entertainment and recreation	944	158	621
S	Other service activities	1 063	-	80

The highest value of gross investment in tangible goods for small enterprises was achieved in the sector "Wholesale and retail trade and repair of motor vehicles and motorcycles", 30 337 thousand EUR .

In a class of medium sized enterprises the largest value of gross investment in tangible goods is realized in the sectors of "Services", 57 186 thousand EUR. This value represents a share of 44% of the total gross investment in tangible goods generated by medium sized enterprises.

In a class of large enterprises, the highest value of gross investment in tangible goods was realized in the sectors of "Industry" , 46 392 thousand EUR, and consists of 46% of the total value of these investments generated by large enterprises. A significant part of of gross investment in tangible goods has been made in the sector of "Services", 35 720 thousand EUR, and consists of 35% of the total value of these investments generated by large enterprises.

Table 8 Gross investments in tangible goods by enterprise size class, in thousand EUR

	Enterprise size class		
Group of activities	**Small**	**Medium**	**Large**
Industry	14 563	36 113	46 392
Construction	20 348	4 259	-
Trade	30 337	30 977	18 797
Services	28 622	57 186	35 720

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