

ANALYSIS OF NUMBER AND STRUCTURE OF BUSINESS ENTITIES IN MONTENEGRO BY MUNICIPALITIES

2012

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INTRODUCTION

This analysis examines business entities with their activity performed in Montenegro. The analysis covers active business entities, i.e. entities that: perform an activity, possess employees, and have certain turnover in the observed year. Contrary to them, registered business entities exist in the records as legal units, but only after number of employees and figures of first reached turnover appear they become active and, accordingly, a subject of observation as statistical units.

This analysis provides an insight into the situation of business entities in Montenegro by municipalities, and for years: 2011, 2010 and 2009. By observing the structure of business entities by legal form, by type of ownership, by sections, and by size class, this analysis aims to provide a picture of business entities in all municipalities in Montenegro that is as simple and clear as possible.

A source for collecting the data presented by the analysis is the Statistical Business Register (SBR). It only serves for statistical purposes, and it is a base for conducting all statistical surveys with enterprises, their parts, and entrepreneurs as reporting units. SBR keeps a record on all changes with different updating periodicity which simplifies the procedure for obtaining timely data.

The data from external sources used for updating SBR are from Tax Administration, Central Register of Business Entities, as well as data obtained from various business and professional associations. A very important source is also statistical surveys providing feedback information, and thus contributing to the SBR data quality.

1. NUMBER OF BUSINESS ENTITIES IN MONTENEGRO

The number of business entities in Montenegro at the end of 2011 was 21 127, which represents an increase of 8.9% in comparison with 2010, and an increase of 4.1% in comparison with 2009.

The highest number of business entities in 2011 was in Podgorica, i.e. 7 042, which represents 33.3% of the total number of business entities, while the lowest number is in Savnik, i.e. 15 business entities.

Table 1: Total number of business entities by municipalities

MUNICIPALITY	2009	2010	2011
Andrijevica	73	51	50
Bar	1 911	1 876	2 085
Berane	599	476	465
Bijelo Polje	1 074	991	1 073
Budva	2 096	2 058	2 294
Cetinje	542	514	558
Danilovgrad	349	318	308
Herceg Novi	1 756	1 685	1 808
Kolasin	161	134	144
Kotor	959	855	967
Mojkovac	141	121	119
Niksic	1 408	1 332	1 563
Plav	100	95	98
Pljevlja	668	500	479
Pluzine	28	25	29
Podgorica	6 417	6 390	7 042
Rozaje	455	457	404
Savnik	17	17	15
Tivat	605	597	614
Ulcinj	843	818	911
Zabljak	92	88	101
Total	20 294	19 398	21 127

The conclusion drawn from Table 1 is that the highest percentage growth of the number of business entities is recorded in Niksic, i.e. 17.3% in comparison with 2010, and 11% in comparison with 2009, while the highest growth in the number of business entities is recorded in Podgorica with 652 new business entities, which represents a growth of 10.2% in comparison with 2010.

2. STRUCTURE OF BUSINESS ENTITIES

The structure of business entities can be observed by several sides: type of legal form, type of ownership, belonging to sections of activity, and by size class.

2.1 Type of legal form

Types of legal form are companies and other forms defined by the Law on Companies of Montenegro.¹

Limited Liability Companies – LLC, both one-member and multi-member ones, make over 80% of the total number of business entities within all three analysed years.

The highest growth of the number of business entities has been recorded among one-member LLCs, and it amounts 12.8% in comparison with 2010, and 10% compared with 2009.

In 2011, the number of co-operative partnerships decreased for 16.6% in comparison with 2010, and 21.8% in comparison with 2009. The largest decrease in the number of business entities is recorded among joint stock companies which was 14.7% compared with 2010, and even 42.1% compared with 2009.

2.2 Type of ownership

By type of ownership, business entities are divided into one of the following:

Table 2: Types of ownership

	TITLE	CODE
a)	Privately owned	2
b)	Jointly owned	3
c)	Two or several types of ownership	4

¹Official Gazette of the Republic of Montenegro 06/02

d)	State owned	5
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By analysing the structure of business entities, at the total level, it is noticeable that over 95% of business entities are privately owned, and that the number of business entities belonging to privately owned entities increased for 7.1% in comparison with 2010, i.e. 2.5% in comparison with 2009.

It is important to highlight that both publicly owned entities and entities without registered type of ownership are excluded from this analysis, since, neither they perform any business activity, nor they are subject of observation by statistical business register.

An increase in the number of business entities privately owned in Podgorica is 9.5% in comparison with 2009, i.e. 9.8% in comparison with 2010. The percentage growth of the number of business entities privately owned in Budva is 7.2% in comparison with 2009.

In regards with business entities with two or several types of ownership, there is a trend of decrease present in all municipalities. The number of such enterprises decreased 62% in comparison with 2009.

The largest decrease of business entities privately owned is recorded in Pljevlja, which is a decrease of 32.2% in comparison with 2009. This decrease amounts 28.8% in Berane, in comparison with 2009.

2.3. By sections of activity

Covered are all active business entities that perform their activity in the following sections:

Table 3: Business entities by sections

Section	Description
A	Agriculture, forestry and fishing
B	Mining and quarrying
C	Manufacturing
D	Electricity, gas, steam and air conditioning supply
E	Water supply
F	Construction

G	Wholesale and retail sale; repair of motor vehicles and motorcycles
H	Transportation and storage
I	Accommodation and food service activities
J	Information and communication
K	Financial and insurance activities
L	Electricity, gas, steam and air conditioning supply
M	Professional, scientific and technical activities
N	Administrative and support service activities
O	Public administration and defence; compulsory social security
P	Education
Q	Human health and social work activities
R	Art, entertainment and recreation
S	Other service activities
T	Activities of households as employers
U	Activities of extraterritorial organisations and bodies

In 2009, share of business entities from section *Wholesale and retail trade* in the total number of business entities in Montenegro was 43.7%; share of *Transportation and storage* was 9.6%; and *Electricity supply* contributed with 9.5%. The highest concentration of business entities is actually recorded in these sections, and almost all municipalities follow this trend.

Table 4: Business entities in 2009, breakdown by municipalities and sections²

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	TOTAL
Andrijevica	3	0	0	10	0	0	45	3	7	0	1	2	2	0	0	0	0	73
Bar	2	5	3	108	2	140	768	200	356	3	227	3	0	10	83	0	1	1911
Berane	5	1	2	90	1	21	329	38	71	1	19	3	0	3	15	0	0	599
Bijelo Polje	38	0	0	180	0	56	449	75	188	2	48	6	1	4	27	0	0	1074
Budva	4	4	2	85	1	275	618	430	162	5	434	3	2	4	67	0	0	2096
Cetinje	2	1	3	70	0	20	290	24	69	2	38	3	0	4	16	0	0	542
Danilovgrad	11	1	0	60	2	28	162	14	30	1	23	3	0	3	11	0	0	349
Herceg Novi	6	7	1	119	0	164	641	277	120	11	331	3	6	13	56	1	0	1756
Kolasin	6	0	0	17	2	1	67	28	18	0	17	1	0	2	2	0	0	161
Kotor	5	8	3	58	1	91	339	103	64	4	249	2	2	4	26	0	0	959
Mojkovac	3	0	0	33	0	9	61	11	14	0	2	1	1	1	5	0	0	141
Niksic	25	4	7	189	1	110	741	72	98	5	114	3	2	3	34	0	0	1408

²Note: Table for 2009 was produced according to Classification NKD 96

Plav	4	0	2	12	0	4	54	11	3	0	3	4	0	1	2	0	0	100
Pljevlja	13	0	4	73	0	30	321	63	99	2	23	3	1	3	33	0	0	668
Pluzine	3	1	0	4	0	0	9	5	3	0	1	1	0	1	0	0	0	28
Podgorica	34	2	22	545	17	481	3146	358	309	110	1056	16	19	21	262	0	19	6417
Rozaje	18	0	1	139	0	35	162	28	37	0	23	4	2	2	4	0	0	455
Savnik	2	0	0	1	3	1	9	0	0	0	1	0	0	0	0	0	0	17
Tivat	1	0	1	54	1	72	243	57	36	0	116	2	0	4	18	0	0	605
Ulcinj	2	1	2	71	0	45	382	140	119	0	61	2	0	2	16	0	0	843
Zabljak	1	0	0	14	1	6	37	18	6	0	5	1	0	1	2	0	0	92
TOTAL	188	35	53	1932	32	1589	8873	1955	1809	146	2792	66	38	86	679	1	20	20294

BijeloPolje possessed 38 business entities within section *Agriculture, forestry and fishing* in 2009, what is 20.2% of the total number of business entities active in this section. In the same year, Podgorica was on the first place with 481 business entities in *Construction, what is 30.2%*, followed by municipality Budva with share of 17.3% in the total number of business entities in section *Construction*.

It is important to point out that, although the number of business entities in 2010 compared with 2009 decreased, there was no major change in the three largest sections.

In 2010, a share of *Wholesale and retail trade* section was 43.1%; *Transportation and storage* was represented with 9.9%, while *Electricity supply* was represented with 8.9% of the total.

Table 5: Business entities in 2010, breakdown by municipalities and sections³

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	TOTAL
Andrijevica	1	0	0	7	0	0	32	1	6	0	1	2	1	0	0	0	0	51
Bar	2	5	3	98	2	138	758	193	354	3	225	3	0	10	81	0	1	1876
Berane	5	1	2	77	1	21	254	29	45	1	20	3	0	3	14	0	0	476
BijeloPolje	26	0	0	140	0	51	428	74	186	2	47	6	1	4	26	0	0	991
Budva	4	3	2	84	1	268	603	429	160	4	427	3	2	4	64	0	0	2058
Cetinje	2	0	2	59	0	20	278	24	69	2	37	3	0	4	14	0	0	514
Danilovgrad	8	1	0	49	2	28	148	13	30	0	24	2	0	3	10	0	0	318
Herceg Novi	6	7	1	114	0	159	602	267	117	11	324	3	6	13	54	1	0	1685
Kolasin	4	0	1	13	2	0	51	26	15	0	17	1	0	2	2	0	0	134
Kotor	5	5	3	49	1	80	285	94	53	4	246	2	2	3	23	0	0	855
Mojkovac	3	0	0	27	0	9	52	8	13	0	2	1	1	1	4	0	0	121
Niksic	20	4	6	170	1	107	708	70	97	5	109	3	2	1	29	0	0	1332

³Note: Table for 2010 was produced according to Classification NKD 96.

Plav	2	0	3	9	0	4	54	10	3	0	3	4	0	1	2	0	0	95
Pljevlja	10	0	3	65	0	23	240	47	53	2	21	3	1	2	30	0	0	500
Pluzine	2	1	0	3	0	0	8	4	3	0	1	2	0	1	0	0	0	25
Podgorica	30	2	24	504	14	516	3 043	392	320	106	1 106	15	19	19	265	0	15	6 390
Rozaje	18	0	1	138	0	36	165	31	34	0	23	4	2	2	3	0	0	457
Savnik	2	0	0	1	3	1	9	0	0	0	1	0	0	0	0	0	0	17
Tivat	1	0	1	51	1	73	242	56	35	0	113	2	0	4	18	0	0	597
Ulcinj	2	1	1	66	0	43	372	137	117	0	59	2	0	2	16	0	0	818
Zabljak	1	0	0	12	1	6	37	16	6	0	5	1	0	1	2	0	0	88
TOTAL	154	30	53	1 736	29	1 583	8 369	1 921	1 716	140	2 811	65	37	80	657	1	16	19 398

The largest decrease in the number of business entities in 2010 compared with 2009 was within section *Activities of extraterritorial organisations and bodies* (with decrease of 20%), followed by *Agriculture, forestry* (decrease of 18.1%) and *fishing* (decrease of 14.3%). Only *Real estate activities* section shows an increase of 0.7% in 2010 compared with 2009.

The decrease in *Agriculture, forestry and fishing* section between 2009 and 2010 is noticeable in nine municipalities: Andrijevisa, Bijelo Polje, Danilovgrad, Kolasin, Niksic, Plav, Pljevlja, Pluzine, and Podgorica.

2011 shows a growth in number of business entities in almost all municipalities. There are minor oscillations by municipalities during years, but it should be noted that the classification of activities has been changed, and for this reason changes are possible. For example, *Mining and quarrying* moved from Section C (Classification NKD 96) to Section B (Classification KD 2010).⁴

Table 6: Business entities in 2011, breakdown by municipalities and sections

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	TOTAL
Andrijevisa	2	0	7	0	0	0	28	5	4	0	0	0	1	0	2	1	0	0	0	0	0	50
Bar	8	3	89	1	2	152	829	334	232	26	2	91	110	72	3	1	8	24	96	1	1	2 085
Berane	6	2	75	1	0	22	258	33	30	2	1	0	15	3	3	0	3	8	3	0	0	465
Bijelo Polje	33	2	139	0	0	59	455	188	85	15	2	2	38	7	6	1	1	9	31	0	0	1 073
Budva	8	1	90	1	1	326	670	94	450	31	8	204	199	129	3	2	4	28	45	0	0	2 294
Cetinje	3	2	66	0	0	21	288	69	28	12	1	8	20	18	3	0	3	4	12	0	0	558
Danilovgrad	8	0	51	1	1	36	132	27	17	3	0	2	18	3	3	0	0	2	4	0	0	308
H.Novi	14	2	122	0	2	210	597	88	301	33	13	125	154	55	3	6	10	19	53	1	0	1 808
Kolasin	4	0	16	1	1	7	48	6	35	1	0	4	10	8	1	0	0	1	1	0	0	144
Kotor	10	5	52	1	0	84	343	38	109	13	5	125	102	44	2	2	2	12	18	0	0	967

⁴Note: Classification NKD 96 is in Annex 1.

Mojkovac	2	0	26	0	1	8	54	10	10	1	0	1	1	3	1	1	0	0	0	0	119	
Niksic	26	8	178	1	4	117	856	90	90	21	7	6	81	30	4	2	1	18	23	0	1 563	
Plav	2	2	7	0	0	5	52	5	12	1	0	0	4	0	4	0	0	2	2	0	98	
Pljevlja	10	1	60	0	0	23	229	50	49	4	2	1	9	5	3	1	1	5	26	0	479	
Pluzine	3	0	3	0	0	0	10	1	6	0	0	0	1	1	2	0	0	2	0	0	29	
Podgorica	32	25	481	17	17	599	3230	248	493	265	96	166	822	182	17	20	22	85	210	1	7 042	
Rozaje	14	1	117	0	1	37	136	40	30	2	0	0	11	5	4	2	1	1	2	0	404	
Savnik	1	0	1	1	2	1	7	0	1	0	0	0	1	0	0	0	0	0	0	0	15	
Tivat	2	1	49	0	3	84	226	25	66	5	0	30	62	32	2	0	2	8	17	0	614	
Ulcinj	4	1	68	0	1	55	397	102	165	14	0	21	33	23	2	0	0	4	21	0	911	
Zabljak	0	0	12	0	1	8	35	3	28	1	0	2	2	6	1	0	0	2	0	0	101	
TOTAL	192	56	1709	25	37	1854	8880	1456	2241	450	137	788	1694	626	69	39	58	234	564	3	15	21 127

2.4 By size class

Classification of enterprises by size uses annual average of number of employees (not the employment with certain date), turnover, and available assets at the annual level.

Table 7: Business entities by size class

CLASS	DESCRIPTION	EMPLOYEES	TURNOVER (in EUR)	ASSETS (in EUR)
1	Small enterprises	FROM 1 TO 49	< 10 000 000	< 10 000 000
2	Medium-sized enterprises	FROM 50 TO 249	FROM 10 000 000 TO 50 000 000	FROM 10 000 000 TO 43 000 000
3	Large enterprises	> 250	> 50 000 000	>43 000 000

Table 8 shows the number of small, medium-sized, and large enterprises in 2009, 2010, and 2011. The number of small enterprises increased in 2011, and it is on somewhat higher level than in 2009.

The largest decrease in the number of small enterprises in 2011 compared with 2009 was in Andrijevica, and it amounts 31.5%. Additionally, the number of small enterprises significantly decreased in Pljevlja, with decrease of 180 small enterprises compared with 2009 representing fall of 27.5%. The highest growth in percentage that showed among small enterprise class was in Niksic, i.e. 12.3% compared with 2009, and 18% compared with 2010.

The municipality showing the largest decrease in class of medium-sized enterprises was Niksic. Namely, decrease of 13 enterprises compared with 2009 represents fall of 40.6%. The growth of medium-sized enterprises was present in Herceg Novi and Ulcinj.

Although the total level shows a fall of large enterprises between 2009 and 2010, their number increases in 2011. Podgorica shows an increase from 27 enterprises in 2009, to 28 enterprises in 2011, pointing out here this increase as very important since 24 large enterprises existed at the end of 2010.

Table 8: Business entities, breakdown by size class and municipalities

MUNICIPALITY	SMALL			MEDIUM-SIZED			LARGE		
	2009	2010	2011	2009	2010	2011	2009	2010	2011
Andrijevisa	73	51	50	0	0	0	0	0	0
Bar	1 887	1 844	2 068	20	18	16	4	3	1
Berane	590	471	460	9	7	5	0	0	0
Bijelo Polje	1 059	983	1 066	13	9	6	2	0	1
Budva	2 076	2 042	2 275	18	14	14	2	4	5
Cetinje	535	509	556	6	5	2	1	0	0
Danilovgrad	343	312	302	6	6	6	0	0	0
Herceg Novi	1 734	1 666	1 788	16	15	16	6	4	4
Kolasin	156	134	144	5	1	0	0	0	0
Kotor	946	845	958	11	9	7	2	1	2
Mojkovac	139	119	118	2	2	1	0	0	0
Niksic	1 371	1 305	1 540	32	22	19	5	5	4
Plav	98	94	97	2	1	1	0	0	0
Pljevlja	654	494	474	11	6	4	3	1	1
Pluzine	25	24	27	3	2	2	0	0	0
Podgorica	6 255	6 259	6 884	135	109	130	27	24	28
Rozaje	450	457	403	4	1	1	1	0	0
Savnik	16	16	15	1	1	0	0	0	0
Tivat	598	591	608	7	6	5	0	0	1
Ulcinj	838	816	906	5	2	5	0	0	0
Zabljak	90	86	99	2	2	2	0	0	0
TOTAL	19 933	19 118	20 838	308	238	242	53	42	47

A reduced number of large enterprises in Bar represents fall of 75%.

At the contrary, the growth from two to five large enterprises in Budva represents increase of 150% which is, in the same time, the largest percentage growth of large enterprises.

3. METHODOLOGICAL NOTES ON STATISTICAL BUSINESS REGISTER (SBR)

Importance and demands for Statistical Business Register (SBR)

The Decree of Government of the Republic of Montenegro No. 02-164 (Official Gazette of the Republic of Montenegro 4/01) created preconditions for the introduction of SBR in the statistical system of our country, and in accordance with the demand for harmonisation of our country statistical system with statistical systems of the EU member countries, since SBR is an important segment in the system of statistical surveys (to achieve the satisfying level of statistical compliance and comparability, it is necessary to have a certain register standard, and thus the Council Regulation (EEC) No 2186/93 of 22 July 1993 on Community coordination in drawing up business registers for statistical purposes was adopted).

Statistical business register is a reliable data source on business population and demography. It serves as a sample frame for all surveys on business statistics within national statistical system; it provides a base from which the address data are used for sending statistical survey questionnaires, etc. As such, the register is considered as a system for the transfer of data from administrative sources into the data appropriate for statistical use. Another importance of SBR is reflected in the fact that SBR is an updated dossier covering any statistical unit active in Montenegro which achieves turnover, and possesses relevant statistical and administrative attributes.

SBR objectives

Main objectives of existence of SBR are to cover national economic activities as much as possible, to help in improving the efficiency of national statistical system, and to serve as the main data source for a large number of statistical surveys within national statistical system.

SBR principles

According to established objectives, SBR is projected on the basis of main principles of confidentiality, coherence, timeliness and cost-effectiveness.

SBR subject

The subject of this register is any active business performing an activity, possessing employees and achieving certain turnover in the observed year.

Observation units in SBR are the following:

Legal units, and

Statistical units: enterprise, local unit, and group of enterprises.

Legal unit

The legal unit forms, either by itself or in combination with other legal units, the legal basis for one of the most important statistical units, known as the 'enterprise'. It is not directly a statistical unit, but it carries out fully or partly the production activity and it is used to constitute an enterprise.

Administrative sources provide information on appearance and existence of legal units, while statistical units are "artificial" units, which although often represent the real economic structures, do not always fully correspond to known legal or administrative units.

Enterprise

The enterprise is an organisational unit producing goods or services, which benefits from a certain degree of autonomy in decision-making, especially for the allocation of its current resources. An enterprise carries out one or more activities at one or more locations. The relation between enterprise and legal unit is arranged according to the definition: an enterprise may be a sole legal unit or (the smallest) combination of legal units.

Local unit

The local unit is an enterprise or part thereof (e.g. a workshop, factory, warehouse, office, mine or depot) situated in a geographically identified place. At or from this place economic activity is carried out for which - save for certain exceptions - one or more persons work (even if only part-time) for one and the same enterprise.

Previously, this means that this register covers, in addition to the units carrying out economic activity, units which do not carry out the economic activity, but which are necessary for statistical surveys as units of observation.

To classify these units, there are used criteria defined by The Council Regulation (EEC), No. 696/93 of 15 March 1993:

- Legal, accounting or organisational criteria;
- Geographical criteria;
- Activity criteria.

SBR source

Data sources for updating SBR are divided in external and internal sources. External sources are administrative (Tax Administration, Central Register of Business Entities, Central Bank, and business and professional associations), while internal sources are statistical surveys used for both updating this register, and comparable analyses with administrative data.

Size class is defined on the basis of three criteria:

- Number of employees,
- Turnover, and
- Assets.

Legal units, within the meaning of this Law, are classified in small, medium-sized and large, depending on average number of employees, total annual turnover, and total assets.

Medium-sized legal units are legal units which fulfil on the day of making financial reports two of three criteria as it follows:

- To have an average number of employees from 50 to 250 in the year for which the annual report is submitted;
- To have the total annual turnover from EUR 10 000 000 to 50 000 000;
- To have the total assets from EUR 10 000 000 to 43 000 000.

Legal units with two of three criteria lower than the lowest criteria referred to in paragraph 2 of Article 3, are classified in small legal units, and legal units with two of three criteria higher than the highest criteria referred to in paragraph 2 of the same Article, are classified in large legal units.

Annex 1

Classification NKD 96: business entities split by sections

SECTION	DESCRIPTION
A	Agriculture, forestry, and water management
B	Fishing
C	Mining and quarrying
D	Manufacturing
E	Electricity, gas, and water supply
F	Construction
G	Wholesale and retail trade, repair
H	Hotels and restaurants
I	Transport, storage, and connections
J	Financial intermediation
K	Real estate and renting activities
L	State administration and social insurance
M	Education
N	Health and social work activities
O	Other community, social and personal service activities
P	Households with employees
Q	Exterritorial organisations and bodies

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