



MONTENEGRO
STATISTICAL OFFICE
Department for Registers

**ANALYSIS OF NUMBER AND STRUCTURE OF BUSINESS ENTITIES IN
MONTENEGRO IN 2011**

Podgorica, March 2012

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PREFACE

Demand to harmonise the statistical system of Montenegro with statistical systems of the European Union member countries, and data comparability have resulted in the introduction of Statistical Business Register.¹⁾

Additionally, due to growing needs and growing demand for information about the population of businesses and their classification based on different characteristics, Statistical Office of Montenegro has prepared a report, *Analysis on Number and Structure of Business Entities in Montenegro, in 2011*. This analysis will be further on published on a quarterly basis.

In several different parts, it provides short explanations, graph and table breakdowns, and methodological notes. Methodological notes are provided at the end of analysis and they enable correct and easier use of data presented.

This analysis, as well as other analyses published by Statistical Office of Montenegro, is accessible on website of Statistical Office and is intended for both internal and external users.

¹⁾ Decree of the the Republic of Montenegro No. 02-164, Official Gazette of the Republic of Montenegro 4/01

INTRODUCTION

The subject of observing the analysis of number and structure of business entities are active business entities with their activity performed in Montenegro. Active business entities are entities carrying out an activity, possessing employees, and have turnover in the observed year.

There is a clear difference between registered and active business entities. Registered business entities exist in records as legal units, but only after number of employees and figures of first reached turnover appear they become actually active.

The analysis provides an insight into the situation of business entities at the level of Montenegro, by legal form, type of ownership, sections and size class.

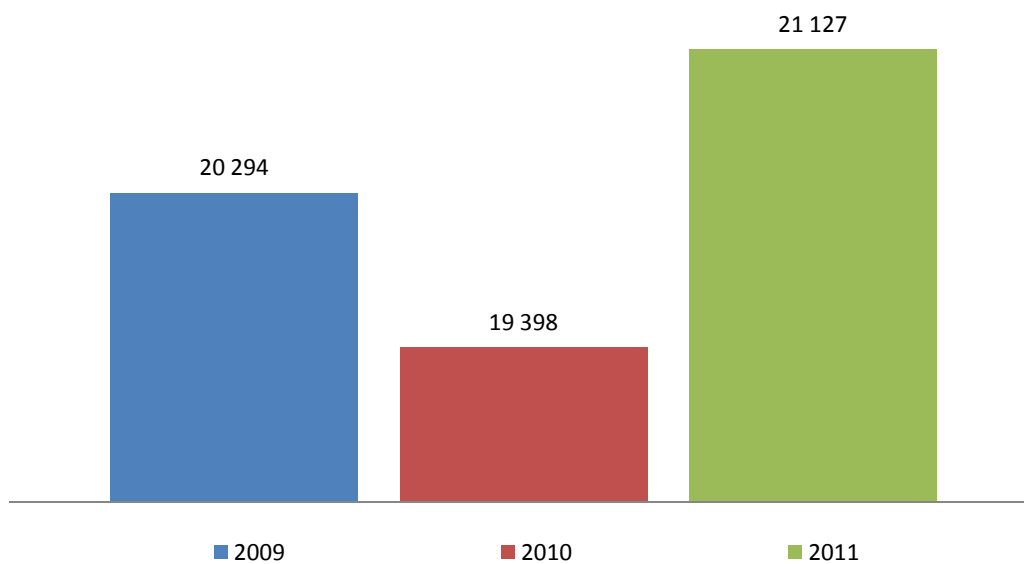
A source of data presented and processed by the analysis is the Statistical Business Register only used for statistical purposes. This register covers identification, stratification (financial), and demography characteristics for all active business entities in Montenegro and the data quality are daily improved.

Main sources for updating Statistical Business Register may be divided in external and internal sources. External sources are administrative, while internal data sources are obtained through statistical surveys. Also, analyses of potentially new data sources are daily done, so that one of aims of Statistical Office are to be achieved to the extent as much as possible, and this will contribute to the reduction of the response burden of reporting units.

1. NUMBER OF BUSINESS ENTITIES IN MONTENEGRO

The number of business entities in Montenegro in 2010 was 19 398, and at the end of 2011, this number was 21 127, which represents an increase of 8.9% compared with 2010. The increase of number of business entities in 2011 compared to 2009 was 4.1%.

Graph 1 Number of business entities in Montenegro



The largest 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 of business entities was in Savnik, i.e. 15 business entities.

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. By legal form

Types of legal form are companies and other forms defined by the Law on Companies of Montenegro.²⁾

Table 1. Total number of business entities by legal form in Montenegro

CODE	LEGAL FORM	FREQUENCY / PERCENTAGE					
		2009		2010		2011	
		Freq.	%	Freq.	%	Freq.	%
10	Co-operative society	468	2.3%	439	2.3%	366	1.7%
11	Limited liability partnership	51	0.3%	44	0.2%	41	0.2%
12	Joint-stock company	382	1.9%	259	1.3%	221	1.0%
13	Single member joint-stock company	3	0.0%	3	0.0%	3	0.0%
14	Limited liability company	4 665	23.0%	4 516	23.3%	4 513	21.4%
15	Single member private limited company	11 504	56.7%	11 220	57.8%	12 653	59.9%
17	Publicly owned enterprise	17	0.1%	15	0.1%	13	0.1%
18	Entrepreneur	2 854	14.1%	2 552	13.2%	2 944	13.9%
19	Professional association	5	0.0%	4	0.0%	3	0.0%
31	Bank	12	0.1%	12	0.1%	12	0.1%
32	Other financial organisation	7	0.0%	6	0.0%	6	0.0%
33	Stock exchange	2	0.0%	2	0.0%	1	0.0%
34	Stock broker	21	0.1%	21	0.1%	21	0.1%
36	Joint-stock insurance company	12	0.1%	12	0.1%	12	0.1%
72	Judicial body	50	0.2%	50	0.3%	50	0.2%
73	Local self-government unit body	11	0.1%	11	0.1%	11	0.1%
81	Political organisation	13	0.1%	13	0.1%	13	0.1%
90	Other forms	217	1.1%	219	1.1%	244	1.2%
Total		20 294	100%	19 398	100%	21 127	100%

²⁾Official Gazette of the Republic of Montenegro 06/02

Analysing the total number of business entities in 2009, 2010, and 2011, and according to the legal form, single member private limited companies and limited liability companies with several members together contribute over 80% to the total for all three years.

The number of single member private limited companies in 2011 increased 12.8% compared with 2010. The growth in 2011 is also presented in the number of entrepreneurs, which is 7.5% compared with 2010.

The number of co-operatives societies decreased 16.6% in 2011 compared with 2010. Additionally, the number of joint-stock companies decreased in comparison with 2010, i.e. the decrease is 14.7%.

2.2. By type of ownership

According to the type of ownership, over 95% of the total business entities in Montenegro are privately owned. The number of business entities privately owned in 2011 increased 7.1% compared with 2010, i.e. 2.5% compared with 2009.

Business entities with two or more forms of ownership show a decrease of 20.3% for 2010, and 59.8% compared with 2009.

2.3. By sections

Covered are all enterprises which are registered in sections:

Table 2. Business entities, breakdown by sections

CODE	DESCRIPTION
A	Agriculture, forestry and fishing
B	Mining and quarrying
C	Manufacturing
D	Electricity supply
E	Water supply
F	Construction
G	Wholesale and retail trade, 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	Real estate activities
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	Arts, entertainment and recreation
S	Other service activities
T	Activities of households as employers
U	Activities of extraterritorial organisations and bodies

In 2011, the number of business entities from sector Mining and quarrying increased 5.6% compared with 2009. The same increase is present when compared with 2010. The number of business entities in sector *Wholesale and retail trade* increased 0.1% in 2011 compared with 2009, i.e. 6.1% compared with 2010. The largest increase of business entities in 2011 was in *Construction* which amounts 16.6% compared with 2009, i.e. 17.1% compared with 2010.

Table 3. Business entities in 2009 and 2010, breakdown by sections³⁾

CODE	DESCRIPTION	FREQUENCY / PERCENTAGE			
		2009		2010	
		Freq.	Proc.	Freq.	Proc.
A	Agriculture, forestry, and water management	188	0.9%	154	0.7%
B	Fishery	35	0.1%	30	0.1%
C	Mining and quarrying	53	0.2%	53	0.2%
D	Manufacturing	1 932	9.5%	1 736	8.9%
E	Electricity, gas, and water supply	32	0.1%	29	0.1%
F	Construction	1 589	7.8%	1 583	8.1%
G	Wholesale and retail trade, repair	8 873	43.7%	8 369	43.1%
H	Hotels and restaurants	1 955	9.6%	1 921	9.9%
I	Transport, storage, and connections	1 809	8.9%	1 716	8.8%
J	Financial intermediation	146	0.7%	140	0.7%
K	Real estate activities and renting	2 792	13.7%	2 811	14.4%
L	Public administration and social security	66	0.3%	65	0.3%
M	Education	38	0.1%	37	0.1%
N	Health and social work	86	0.4%	80	0.4%
O	Other community, social and personal service activities	679	3.3%	657	3.3%
P	Households with employees	1	0.0%	1	0.0%
Q	Exterritorial organisations and bodies	20	0.1%	16	0.0%
	Total	20 294	100%	19 398	100%

The contribution of sector *Wholesale and retail trade* to the total number of business entities in 2011 is 42%. This sector together with sector *Accommodation and food service activities* make over 50% of the total number of business entities in Montenegro.

³⁾ Note: 2009 and 2010 table is done according to NKD 96

Table4: Business entities in 2011, breakdown by sections

CODE	DESCRIPTION	FREQUENCY / PERCENTAGE	
		2011	
		Freq.	%
A	Agriculture, forestry and fishing	192	0.9%
B	Mining and quarrying	56	0.2%
C	Manufacturing	1 709	8.0%
D	Electricity supply	25	0.1%
E	Water supply	37	0.1%
F	Construction	1 854	8.7%
G	Wholesale and retail trade, repair of motor vehicles and motorcycles	8 880	42%
H	Transportation and storage	1 456	6.8%
I	Accommodation and food service activities	2 241	10.6%
J	Information and communication	450	2.1%
K	Financial and insurance activities	137	0.6%
L	Real estate activities	788	3.7%
M	Professional, scientific, and technical activities	1 694	8.0%
N	Administrative and support service activities	626	2.9%
O	Public administration and defence; compulsory social security	69	0.3%
P	Education	39	0.1%
Q	Human health and social work activities	58	0.2%
R	Arts, entertainment and recreation	234	,1%
S	Other service activities	564	2.6%
T	Activities of households as employers	3	0.0%
U	Activities of extraterritorial organisations and bodies	15	0.0%
Total		21 127	100%

2.4. By size class

The classification of enterprises by size, based on this criterion, uses the annual average of employment, and not the employment with certain date, as well turnover, and available assets at the annual level.

Table 5. *By size class*

CLASS	DESCRIPTION	EMPLOYEES	TURNOVER (inEUR)	ASSETS (inEUR)
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

The number of small enterprises in 2011 is characterised by increase of 4.5% compared with 2009, and increase of 9% compared with 2010. The fall of medium-sized enterprises compared with 2009 is 21.4%, but compared with 2010 there is a growth of 1.7%. The number of large enterprises increased 11.9% in 2011 compared with 2010, while the number of large enterprises decreased 11.3% compared with 2009.

Table 6. *Business entities in Montenegro, breakdown by size class*

DESCRIPTION	FREQUENCY / PERCENTAGE					
	2009		2010		2011	
	Freq.	%	Freq.	%	Freq.	%
Small enterprises	19 933	98.2%	19 118	98.6%	20 838	98.6%
Medium-sized enterprises	308	1.5%	238	1.2%	242	1.1%
Large enterprises	53	0.3%	42	0.2%	47	0.2%
Total	20 294	100%	19 398	100%	21 127	100%

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.

Units of observation in SBR are the following:

- Legal units, and
- Statistical units: enterprise, local unit, and group of enterprise.

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 organizational 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.

SBRsource

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.

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