

# *Enterprise operations, 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 2014".*

*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 clases.*

*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, "Structural business statistics" (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 (quality 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<sup>1</sup>, in the following sectors:*

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<sup>1</sup> 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)**

Classification of activities		Division
<b>B</b>	Mining and quarrying	05-09
<b>C</b>	Manufacturing	10-33
<b>D</b>	Electricity, gas, steam and air conditioning supply	35
<b>E</b>	Water supply; sewerage, waste management and remediation activities	36-39
<b>F</b>	Construction	41-43
<b>G</b>	Wholesale and retail trade; repair of motor vehicles and motorcycles	45-47
<b>H</b>	Transportation and storage	49-53
<b>I</b>	Accommodation and food service activities	55-56
<b>J</b>	Information and communication	58-63
<b>L</b>	Real estate activities	68
<b>M</b>	Professional, scientific and technical activities	69-75
<b>N</b>	Administrative and support service activities	77-82
<b>P</b>	Education	85
<b>Q</b>	Human health and social work activities	86-88
<b>R</b>	Arts, entertainment and recreation	90-93
<b>S</b>	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 employees*
- *Large – more than 250 employees*

*In Montenegro, the number of business entities that are monitored by research "Structural Business Statistics," in 2014 was the highest in the sector "Wholesale and retail trade and repair of motor vehicles and motorcycles".*

## **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 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.*

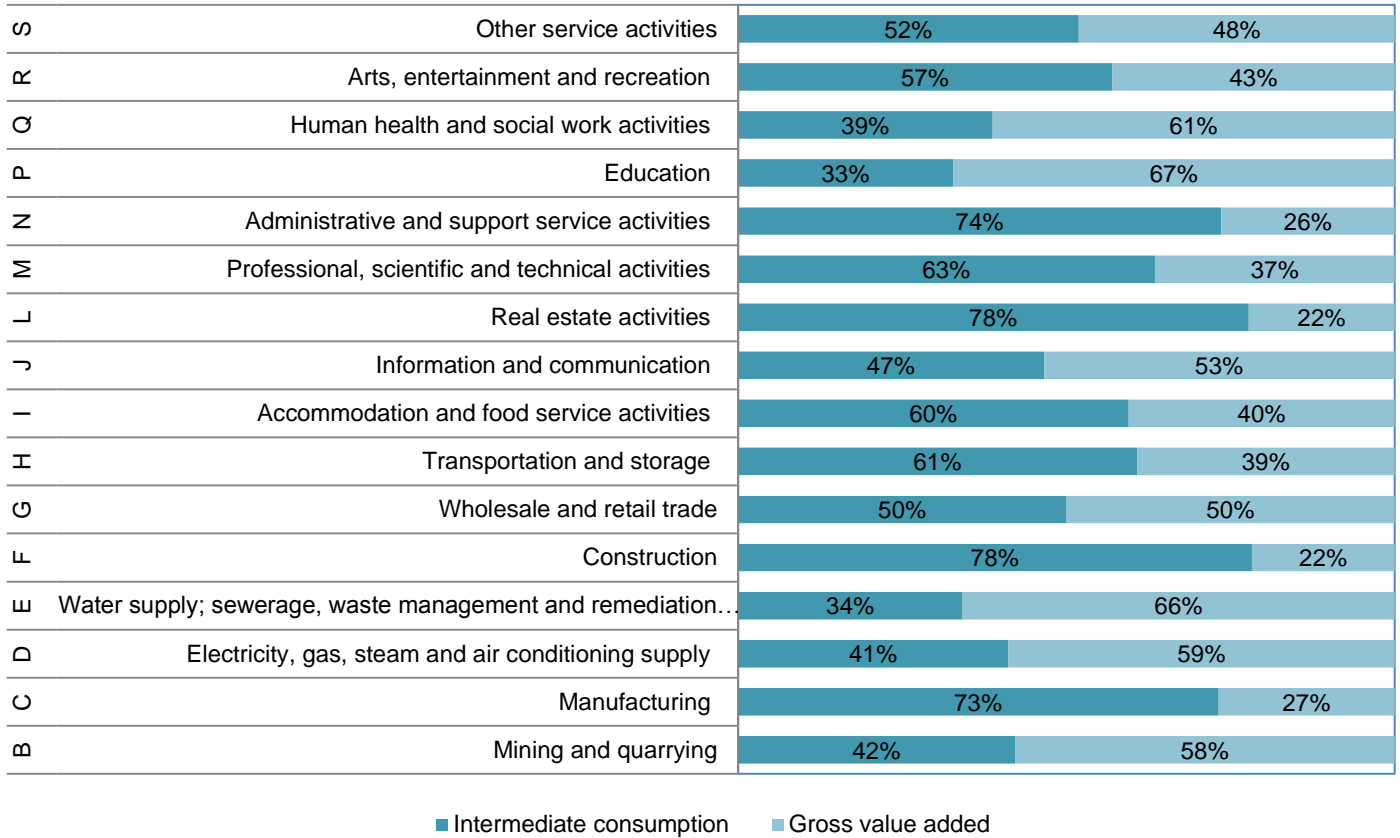
**Table 2 Gross output, intermediate consumption and gross value added by sector of activity classification KD 2010(Nace Rev 2), in thousand EUR.**

Classification of activities		Gross output	Intermediate consumption	Gross value added
<b>B</b>	Mining and quarrying	63 685	26 881	36 805
<b>C</b>	Manufacturing	471 979	345 379	126 600
<b>D</b>	Electricity, gas, steam and air conditioning supply	236 788	97 515	139 272
<b>E</b>	Water supply; sewerage, waste management and remediation activities	98 466	33 674	64 792
<b>F</b>	Construction	415 998	325 576	90 422
<b>G</b>	Wholesale and retail trade	763 454	382 015	381 439
<b>H</b>	Transportation and storage	314 907	191 442	123 465
<b>I</b>	Accommodation and food service activities	202 950	120 793	82 156
<b>J</b>	Information and communication	268 203	125 030	143 174
<b>L</b>	Real estate activities	42 132	32 766	9 366
<b>M</b>	Professional, scientific and technical activities	214 339	136 105	78 234
<b>N</b>	Administrative and support service activities	120 551	88 719	31 832
<b>P</b>	Education	14 036	4 598	9 438
<b>Q</b>	Human health and social work activities	37 065	14 377	22 688
<b>R</b>	Arts, entertainment and recreation	72 734	41 464	31 271
<b>S</b>	Other service activities	22 964	11 919	11 045

The highest output value is realized in the sector "Wholesale and retail trade and repair of motor vehicles and motorcycles", 763 454 thousands euro. Sector "Manufacturing" is achieved output value of 471 979 thousands euro.

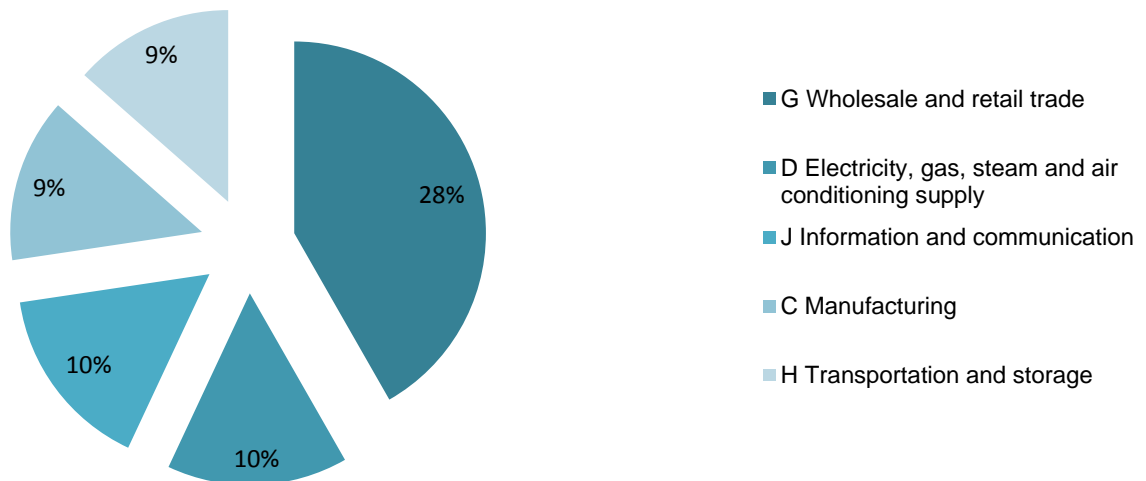
The graph 1 shows the share of intermediate consumption and gross value added in gross output. In the sector of "Construction" share of intermediate consumption in the gross value of production amounted to 78%. In the sector of "Wholesale trade, retail trade and repair of motor vehicles and motorcycles" share of intermediate consumption and gross value added in the gross output accounted to 50%.

**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 10% of gross value added in total value. The following sectors are "Manufacturing" and "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).<sup>2</sup>

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

	Gross output	Intermediate consumption	Gross value added
<b>Small</b>	1 631 128	1 090 153	540 975
<b>Medium</b>	810 646	422 857	387 790
<b>Large</b>	918 476	465 242	453 233
<b>Total</b>	3 360 250	1 978 252	1 381 998

Gross output value of 1 631 128 thousand EUR was realized by small enterprises and is 49% 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 39% of the total gross value added.

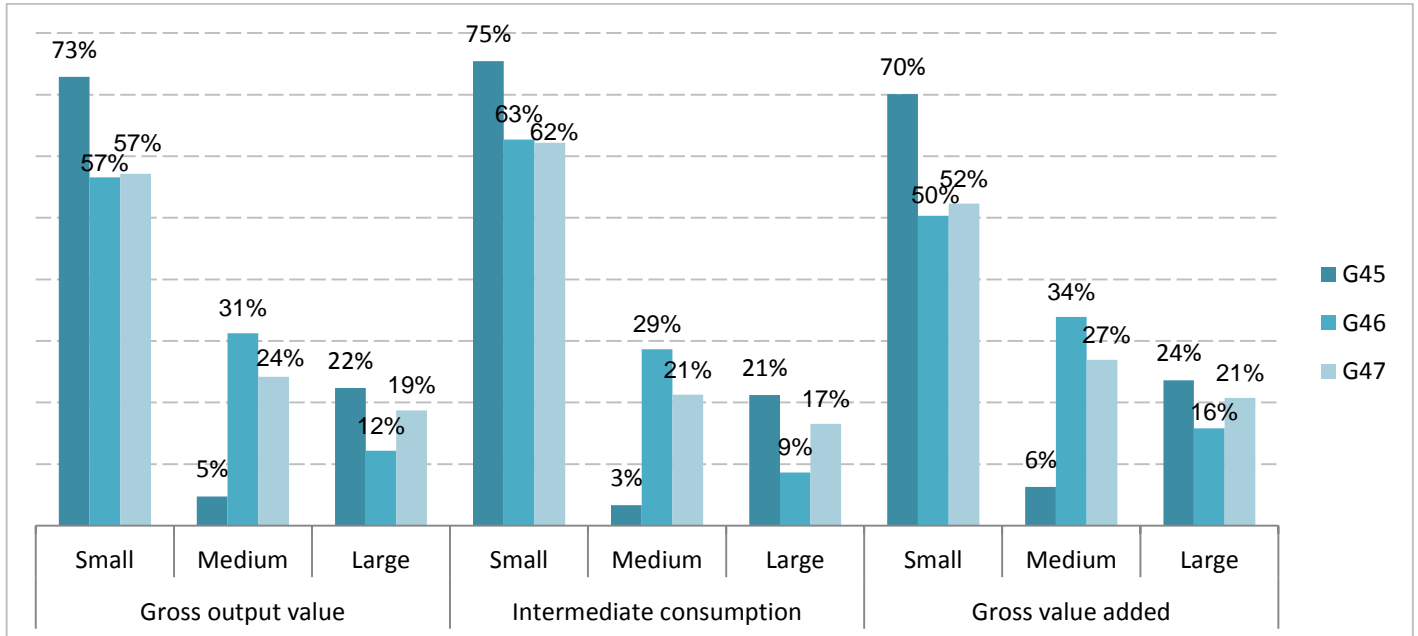
Sector of "Wholesale and retail trade and repair of motor vehicles and motorcycles", consists from the following divisions:

- 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, 73%. The same case is with divisions G46 and G47, with 57% realized by small enterprises. The value of intermediate consumption is realized by small enterprises, 75% for division G45, 63% for division G46 and 62% for division G47 (Figure 3).

<sup>2</sup> 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).

**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", %**

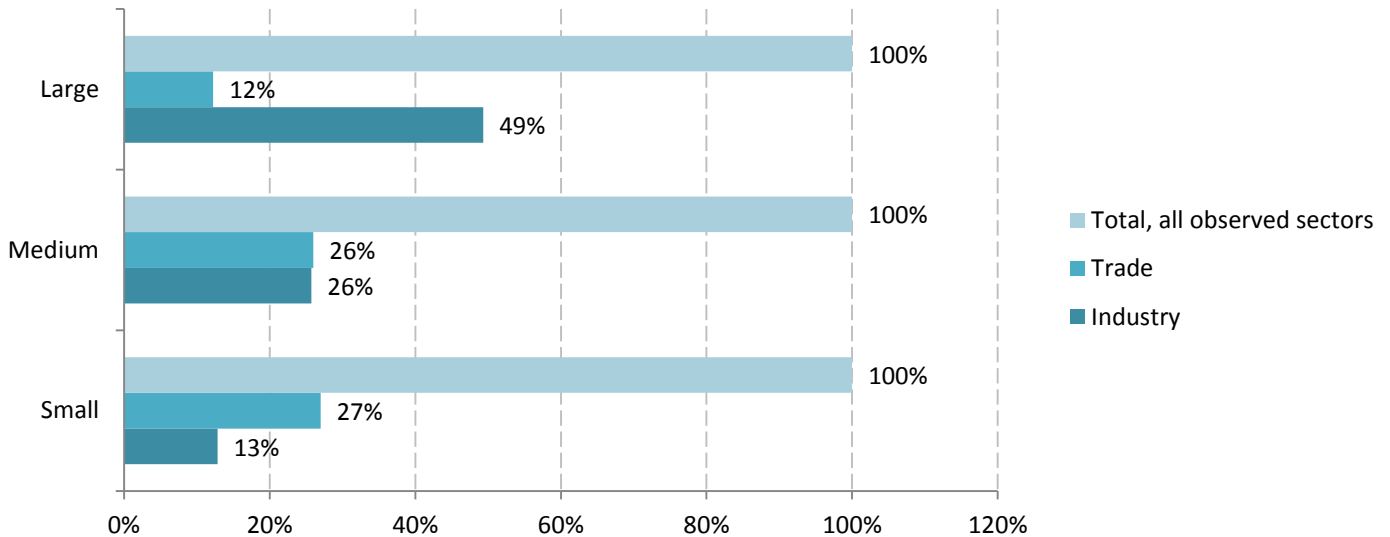


Structure of gross output by enterprise size class, grouped in sector "Industry" was presented in graph 4.

According to the classification of activities KD 2010(Nace Rev 2) the following sectors 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 49% achieved by the sector "Industry". In a class of medium-sized enterprises participation of industry was 26% 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, 27%.

## 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.

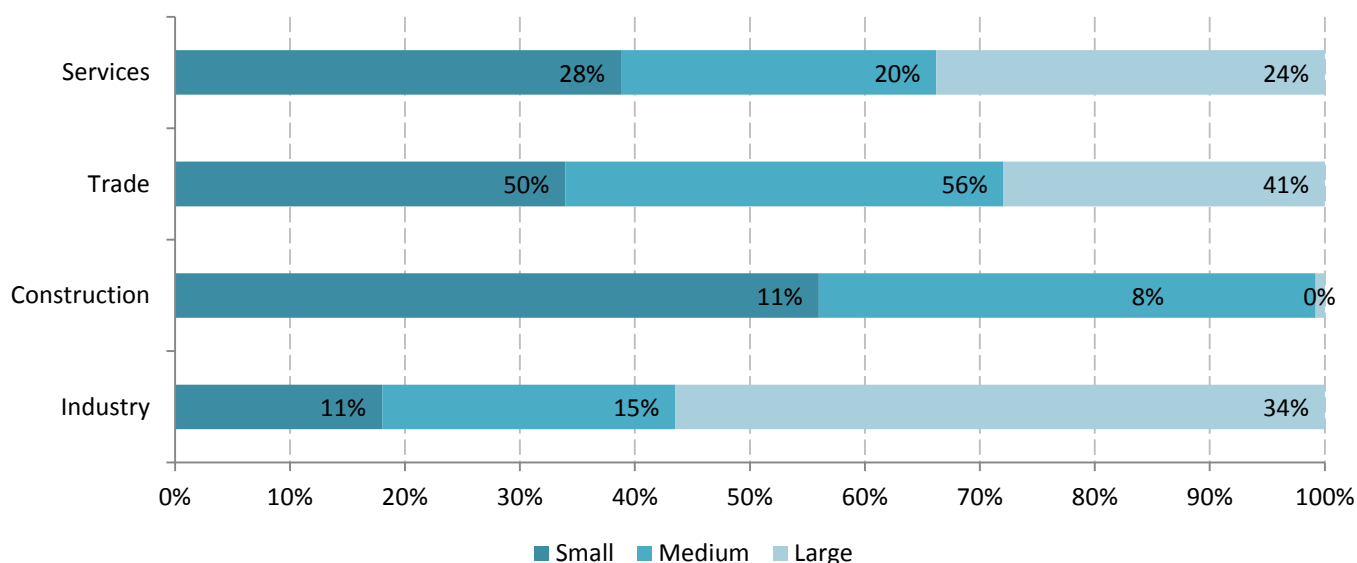
Turnover in the sector "Manufacturing" amounted to 665 432 thousand EUR or 10% of the total turnover of the observed sectors.

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

	<b>Classification of activities</b>	<b>Turnover</b>
<b>B</b>	Mining and quarrying	65 691
<b>C</b>	Manufacturing	665 432
<b>D</b>	Electricity, gas, steam and air conditioning supply	280 668
<b>E</b>	Water supply; sewerage, waste management and remediation activities	116 514
<b>F</b>	Construction	498 969
<b>G</b>	Wholesale and retail trade	3 194 697
<b>H</b>	Transportation and storage	348 391
<b>I</b>	Accommodation and food service activities	240 956
<b>J</b>	Information and communication	301 950
<b>L</b>	Real estate activities	71 530
<b>M</b>	Professional, scientific and technical activities	328 327
<b>N</b>	Administrative and support service activities	135 199
<b>P</b>	Education	14 080
<b>Q</b>	Human health and social work activities	39 206
<b>R</b>	Arts, entertainment and recreation	89 846
<b>S</b>	Other service activities	31 826

Sector of "Trade" had a share of 50% 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 56% 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
<b>Industry</b>	350 986	262 412	514 906
<b>Construction</b>	352 775	143 873	2 321
<b>Trade</b>	1 614 979	957 859	621 858
<b>Services</b>	899 251	335 589	366 470

### 2.3 Costs

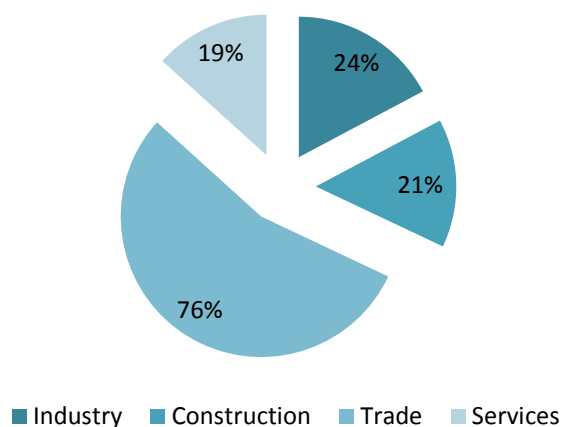
Purchases of goods and services include value of all goods and services purchased during an accounting period for resale or consumption in the production process. Goods and services can be resold with or without further processing, fully used in the production process or left as stock.

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

Classification of activities		Purchase of goods and services	Costs of material
<b>B</b>	Mining and quarrying	2 257	17 293
<b>C</b>	Manufacturing	206 562	261 442
<b>D</b>	Electricity, gas, steam and air conditioning supply	43 880	51 503
<b>E</b>	Water supply; sewerage, waste management and remediation activities	18 851	20 406
<b>F</b>	Construction	103 010	161 374
<b>G</b>	Wholesale and retail trade	2 439 605	122 082
<b>H</b>	Transportation and storage	35 094	70 307
<b>I</b>	Accommodation and food service activities	40 198	56 143
<b>J</b>	Information and communication	34 529	21 166
<b>L</b>	Real estate activities	31 991	6 386
<b>M</b>	Professional, scientific and technical activities	112 150	42 694
<b>N</b>	Administrative and support service activities	14 762	10 832
<b>P</b>	Education	61	848
<b>Q</b>	Human health and social work activities	2 335	7 708
<b>R</b>	Arts, entertainment and recreation	17 250	5 210
<b>S</b>	Other service activities	8 981	3 612

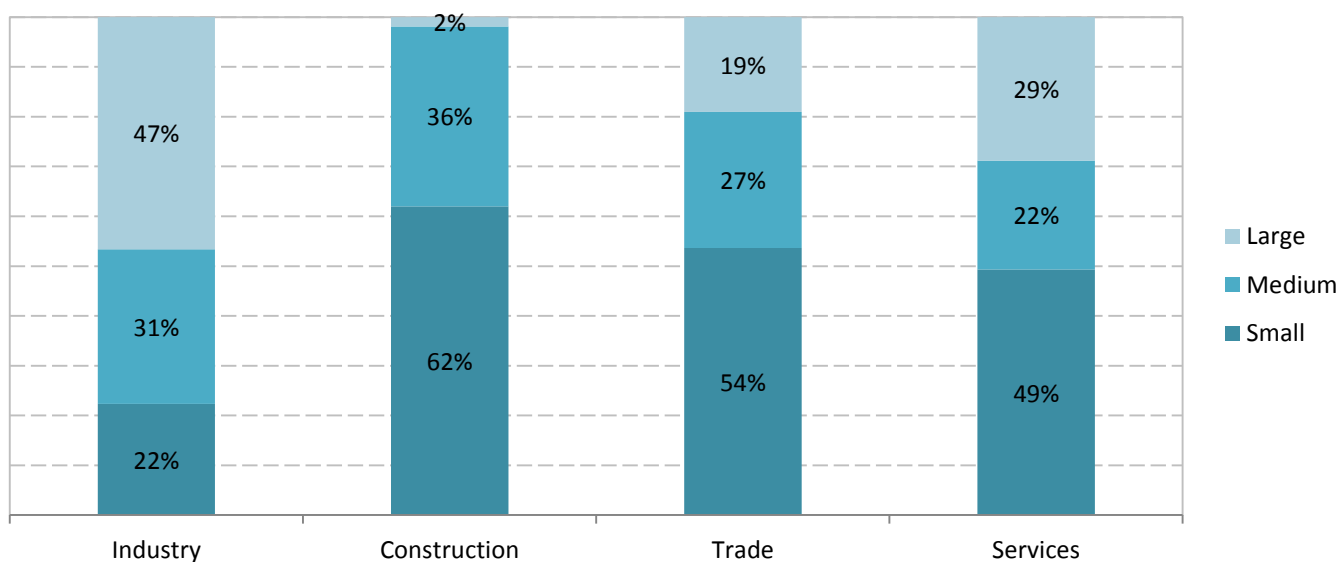
Table 6 presents the following costs, purchases of goods and services and the cost of materials, in thousand EUR.

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 2 439 605 thousands euro. Material costs were the highest in the sector "Manufacturing", and to 261 442 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 24%. A minimum participation of 19% 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 47% 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 62% of salary costs generated by small businesses, the sector "Trade" 54% of the sector "Service" 49%.

## 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 2014th 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 78 391 thousand EUR, while the lowest amount of investment was in the sector of "Education" in the amount of 41 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 48 212 thousands euro.

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

	Classification of activities	Gross investement in tangible goods	Investements in construction of buildings	Investments in machinery and equipment
<b>B</b>	Mining and quarrying	4 039	797	1 807
<b>C</b>	Manufacturing	39 113	11 870	31 048
<b>D</b>	Electricity, gas, steam and air conditioning supply	39 056	10 138	23 709
<b>E</b>	Water supply; sewerage, waste management and remediation activities	5 880	5 458	221
<b>F</b>	Construction	19 892	12 175	5 914
<b>G</b>	Wholesale and retail trade	78 391	48 212	18 719
<b>H</b>	Transportation and storage	28 390	2 494	1 986
<b>I</b>	Accommodation and food service activities	25 863	20 280	1 645
<b>J</b>	Information and communication	29 165	3 871	22 766
<b>L</b>	Real estate activities	11 326	10 560	357
<b>M</b>	Professional, scientific and technical activities	12 252	9 349	737
<b>N</b>	Administrative and support service activities	1 914	106	227
<b>P</b>	Education	173	-	140
<b>Q</b>	Human health and social work activities	291	-	287
<b>R</b>	Arts, entertainment and recreation	2 618	862	707
<b>S</b>	Other service activities	41	27	-

The highest value of gross investment in tangible goods for small enterprises was achieved in the sector "Services", 52 766 thousand EUR .



*In a class of medium sized enterprises the largest value of gross investment in tangible goods is also realized in the sectors of "Services", 36 267 thousand EUR. This value represents a share of 33% 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", 54 165 thousand EUR, and consists of 55% 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**

Group of activities	Enterprise size class		
	Small	Medium	Large
Industry	5 722	28 201	54 165
Construction	2 169	17 723	-
Trade	29 091	28 017	21 283
Services	52 766	36 267	23 000

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