





Weekly Briefing

Montenegro economy briefing:
State-owned enterprises in Montenegro: current state
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State-owned enterprises in Montenegro: current state

Montenegrin state-owned enterprises represent a small percentage of the total number of enterprises and in 2019, state-owned enterprises have made 0.2% of the total number of enterprises in Montenegro. These companies have a predominant monopoly position in the market. Most state-owned have been privatized over the past two decades. The process of privatization of companies has contributed to the growth of FDI inflows, so that FDI recorded very high growth rates after 2006, i.e. the restoration of independence of Montenegro.

The main characteristics of state-owned enterprises

One of the characteristics of state-owned enterprises is that a significant number (almost half) record business losses. Also, a large part of these companies have a surplus of workers, while on the other hand the salaries of management are at a significantly higher level compared to the average salaries in Montenegro. According to the EBRD, Montenegrin state owned enterprises make 5.5% of GDP. In comparison to the other regional countries, Montenegrin enterprises add the most value¹. An additional feature of state-owned companies is tax debt, which in 2020 was at the level of EUR 30.3 million.²

The largest number of state-owned companies is in the transport sector, but also in tourism and energy. Among the companies from the transport sector, the most important are airports and Airline Company, companies within the railway transport (related to railway transport, infrastructure, and maintenance) and companies within the maritime transport such as the port of Bar, Montenegro lines and others. In the energy sector, there are companies in the field of production and supply of electricity.

¹ European Bank for Reconstruction and Development (2020) Economic performance of state-owned enterprises in emerging economies: A cross-country study, February 2020, <https://www.ebrd.com/documents/admin/economic-performance-of-stateowned-enterprises-in-emerging-economies.pdf?blobnocache=true>

² Source of data: Revenue dministration of Montenegro, <https://upravaprihoda.gov.me/vijesti/235212/AzURIRANA-CRNA-LISTA-PORESKIH-OBVEZNIKA.html>

Employment in state - owned enterprises³

State-owned enterprises do not participate in a large percentage of total employment in Montenegro. The total number of employees in state-owned enterprises amounted to 11.8 thousand, which represents close to 6% of the total number of employees in Montenegro in 2019. Compared to 2016, the number of employees in state-owned enterprises decreased by 16%. Among these companies, more than a third companies employ more than 250 employees, while close to a quarter of the company employs 50 to 250 employees. The companies that employ the largest number of employees are from the energy, transport, tourism and agriculture sectors. State-owned enterprises which belong to the group of large enterprises employ close to 90% of the total number of employees in state-owned enterprises.

In addition, data on the number of employees in state-owned companies indicate that almost three quarters of employees are employed in the transport, energy and tourism sectors. Namely, the largest number of employees in state-owned companies is from the transport sector (close to 40% of the total number of employees in state-owned companies), while slightly more than a fifth of employees in state-owned companies are from the energy sector (22%) and close to 13% from the tourism sector.

The success in the business of state-owned enterprises⁴

The ten largest companies, observed in terms of revenue, represent close to 85% of total revenues of state-owned enterprises, while the five companies generate close to 70% of total revenues, which indicates the distribution of economic power among these companies.

In 2019, just over half of the state-owned enterprises achieved a positive business result. However, profits vary significantly between companies. Montenegrin Electric Enterprise made a profit of EUR 28.4 million, which is twice as much as the Airports of Montenegro (second placed company on the list in terms of revenues), which made a profit of EUR 14.1 million and three times more than Coal mine AD Pljevlja (total profit amounted to EUR 9.6 million). On the other hand, the largest loss in 2019 was made by the company in the field of tourism (Institute „DR Simo Milošević” JSC Igalo) in the amount of EUR 8.1 million and Montenegro Airlines (EUR 8.0 million).

³ Source of data: <https://javnapreduzeca.mojnovac.me/uporedna-analiza/broj-zaposlenih>

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The largest number of employees in the energy sector in Montenegro is in state-owned companies. The most important companies in this sector are the Montenegrin Electric Enterprise, the Electricity Transmission System and the Electricity Distribution System, as well as companies related to the stock exchange and the functioning of the electricity market. In general, the energy sector has great potential for further development and is an attractive sector for foreign capital inflows. All companies in this sector operate with a positive result and represent one of the most successful state-owned companies. During 2018-2019, Montenegrin Electric Enterprise made a profit, but also a drop in employment. Although employment fell slightly during 2018-2019, in 2019 compared to 2016 the number of employees decreased by 40.7%. Until 2019, Montenegrin Electric Enterprise was owned by the Italian company A2A. However, A2A sold its shares to the state after ten years of running the company.

On the other hand, there are successful companies in the transport sector, but also less successful ones. State-owned enterprises in railway transport have been making losses during recent years. Unprofitability and problems in business and reduced passenger traffic to Serbia have affected the revenues of companies engaged in the transport of passengers and goods, maintenance of vehicles and infrastructure. In 2019 the total loss of the four railway companies amounted to EUR 6.8 million. On the other hand, companies employ a significant part of total employment in state-owned enterprises (14%), which further indicates problems in this industry.

Connected to the railway is the Port of Bar, the only port in Montenegro. The Port of Bar achieved a positive business result in 2019 (EUR 0.9 million) and is a significant company for the Montenegrin economy, as it is connected by rail with Serbia and other European countries, and in the future it will be connected by a highway, which additionally adds to the attractiveness and value of the company. On the other hand, other companies in the field of maritime transport (Montenegro lines and Crnogorska plovidba) have made a loss in 2019.

One of the successful companies in the transport sector is the Airports of Montenegro. Growth in tourism during the previous years (except for 2020, when tourism recorded a very high negative growth rate due to the corona virus pandemic) has also contributed to the positive results in the business of this company. In 2019, the total profit of the company was at the level of EUR 14.1 million, which is 3.3 times more than in 2016. Total number of passengers at airports was 2.65 million in 2019. However, during the previous years, the process of giving the airport under concession began, but the recent political change and change of government may affect the achievement of this goal.

On the other hand, at the end of 2020, the only Montenegrin airline company - Montenegro Airlines, which had been making business losses for years, was shut down. In 2019, the total loss was at the level of EUR 7.9 million. Although in previous years the state approved subsidies to the company, Montenegro airlines failed to make a profit. Additionally, the change of government during 2020, the policy towards this company also changed, so that the company went bankrupt at the end of the previous year. On the other side, the new state airline "ToMontenegro" was established, but as it is in the process of operationalization and starting work, the company has not yet started flights. The shutdown of the airline will, on the one hand, affect unemployment given that a significant number of employees lost their jobs, but also additional losses, given the connection between air traffic and tourism and the fact that tourism generates about a quarter of GDP, at least the new company starts operating and establishes existing airlines.

Among the largest and most successful state-owned companies is the Coal mine AD Pljevlja, which has been making a profit in recent years and employing a significant number of workers (although the number of employees has been declining in previous years). In 2019, the total profit was EUR 9.6 million, which is 2.6 times more than in 2016.

On the other hand, in the agricultural sector, the largest company is the wine company "Plantaze", which, in addition to exporting wine to a large number of countries around the world, also exports wine to China. However, although a positive business result has been achieved in previous years, the company is currently facing liquidity problems and the risk of going bankrupt. Finding a new development model and overcoming business problems is the most important challenge.

Thus, almost every second state-owned company makes a profit in business, and at the same time employs a significant number of employees in relation to business results, and they face the additional problem of redundancy. Just over one-twentieth of GDP is generated by state-owned enterprises. The most profitable state-owned enterprises are in the energy sector and mining. However, there is significant potential for further development in improving the business of these companies.