Digital

The resolution of a multimeter is often specified in "digits" of resolution. For example, the term 5½ digits refer to the number of digits displayed on the display of a multimeter.

By convention, a half digit can display either a zero or a one, while a three-quarters digit can display a numeral higher than a one but not nine. Commonly, a three-quarters digit refers to a maximum value of 3 or 5. The fractional digit is always the most significant digit in the displayed value. A 5½ digit multimeter would have five full digits that display values from 0 to 9 and one half digits that could only display 0 or 1.[3] Such a meter could show positive or negative values from 0 to 199,999. A 3¾ digit meter can display a quantity from 0 to 3,999 or 5,999, depending on the manufacturer.

While a digital display can easily be extended in precision, the extra digits are of no value if not accompanied by care in the design and calibration of the analog portions of the multimeter. Meaningful high-resolution measurements require a good understanding of the instrument specifications, good control of the measurement conditions, and traceability of the calibration of the instrument.
Specifying "display counts" is another way to specify the resolution. Display
counts give the largest number, or the largest number plus one (so the count
number looks nicer) the multimeter’s display can show, ignoring a decimal
separator. For example, a 5½ digit multimeter can also be specified as a 199999
display count or 200000 display count multimeter. Often the display count is just
called the count in multimeter specifications.

**Analog**

Resolution of analog multimeters is limited by the width of the scale pointer,
vibration of the pointer, the accuracy of printing of scales, zero calibration, number
of ranges, and errors due to non-horizontal use of the mechanical display.
Accuracy of readings obtained is also often compromised by miscounting division
markings, errors in mental arithmetic, parallax observation errors, and less than
perfect eyesight. Mirrored scales and larger meter movements are used to improve
resolution; two and a half to three digits equivalent resolution is usual (and is
usually adequate for the limited precision needed for most measurements).
Resistance measurements, in particular, are of low precision due to the typical resistance measurement circuit which compresses the scale heavily at the higher resistance values. Inexpensive analog meters may have only a single resistance scale, seriously restricting the range of precise measurements.

Typically an analog meter will have a panel adjustment to set the zero-ohms calibration of the meter, to compensate for the varying voltage of the meter battery.

Source: http://web.ua.es/docivis/magnet/multimeter.html