RESULTS OF NON-FINANCIAL CORPORATIONS UP TO 2015 Q4. SUMMARY YEAR-END DATA

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The Central Balance Sheet Data Office's Quarterly Survey (CBQ) shows, for 2015, a firming of the recovery in the economic activity of firms and employment, particularly temporary employment, against a backdrop of moderate pay rises. This trend led to a rise in ordinary profit, which facilitated the improvement in the profitability of a growing number of firms and sectors. Nevertheless, aggregate profitability fell slightly due mainly to the slump in dividends received, which affected some large corporations of the sample. Despite this, the spread between profitability and average financing costs widened by 0.2 pp, thanks to the reduction in interest rates. Also, company debt decreased which, together with the growth in operating profit, translated into a further decline in debt and the interest burden. Lastly, extraordinary gains and losses led to a reduction in final profit.

Overview[1]

The CBQ data for 2015 evidence a consolidation of the recovery of the economic activity of firms and, thus, the gross value added (GVA) of the sample as a whole increased by 5.6% year-on-year, as compared with the almost zero change in this aggregate a year ago. GVA growth was once again more intense in smaller firms, as has been the case since the start of the recovery in 2013. This growth in the flow of activity was generated against a background in which domestic demand was reactivated and the momentum of exports remained high.

Personnel costs rose by 2.3%, more sharply than in the previous year when they grew by 0.9%. The greater buoyancy of this item in 2015 was due mainly to the favourable trend of employment, which increased by 1.7%. Average compensation rose moderately: 0.6%, i.e. 0.8 pp less than the previous year.

The improvement in productive activity fed into gross operating profit (GOP), which increased by 9.3% in 2015 as compared to the 1% decline the previous year. Financial revenue fell by 11% as a result of the downturn both in dividends received and in interest income. Financial costs also fell (by 9.4%) mainly as a result of the decline in borrowing costs, since interest-bearing debt hardly varied with respect to the average level a year earlier.

Over the year as a whole, the borrowings of all the firms making up the sample decreased again, which translated into a further decline in the ratio of interest-bearing debt to net assets. There were also declines in the ratio of debt to GOP plus financial revenue and in the interest burden ratio (financial costs as a proportion of the sum of GOP plus financial revenue), impacted both by the decline in borrowings and financial costs and by the growth in operating profit (the denominator of the two ratios).

In line with the expansionary pattern of the above-mentioned surpluses, ordinary net profit (ONP) grew by 14.9% in 2015. Despite the increase in ordinary profit, aggregate levels of profitability posted a slight fall with respect to the previous year, which is, however, greatly

1 This article draws on the information of the 896 firms which, on average, sent their data to the CBQ up to 11 March, which account for 13.4% of the GVA generated by the entire sector, according to the National Accounts data provided for this period.

impacted by the performance of some large corporations, which were affected by the decline in financial revenue. A more detailed analysis evidences an improvement in the profitability levels of a growing number of firms and in most sectors. In any case, the spread between ROI and the average cost of debt widened by 0.2 pp (to 2.1%) thanks to the reduction in interest rates.

Finally, extraordinary gains and losses exerted a negative influence on profit for the year. Specifically, in 2015 the firms in the sample posted losses on the sale of financial assets, in contrast to the strong gains they recorded in 2014. In addition, the cost of staff adjustments affected some large corporations in the sample. All of the foregoing triggered a significant decline of 41.3% in final profit.

Activity

The data gathered by the CBQ for 2015 evidence a firming of the gradual recovery in productive activity, which boosted the GVA of the firms in this sample by 5.6% (see Table 1 and Chart 1), as compared with the almost zero growth recorded in the previous year. This positive trend was once again more intense among medium-sized firms, in which GVA grew by 6.9% as compared with the 5.6% growth of the large corporations (see Table 2). This more dynamic behaviour of the medium-sized firms with respect to the large corporations, in train since 2013, is also evidenced by a comparison between the results of the CBQ and those of the monthly sample of the Tax Authorities[2], comprising some 30,000 firms. Specifically, since the start of the economic recovery, this last-mentioned sample has shown stronger growth than the CBQ sample in which the relative weight of medium-sized firms is less.

The expansion in GVA in 2015 was against a background in which both domestic demand and, especially, exports contributed positively to the growth in activity. Thus, in 2015 in Spain, CBQ sample sales rose by 2.2%, posting stronger growth than a year earlier (0.7%). Exports grew with even greater intensity in this period (9.7%), which explains why they continued to gain in relative weight with respect to total turnover, reaching 22.5% as compared with 21.2% in 2014 (see Table 3). Despite more momentum in commercial activity, customer and supplier balances fell once again, which, nevertheless, is very much shaped by the particular pattern observed in the refining industry. This pattern was accompanied by a further decline, albeit moderate, in the average collection period of the firms in the quarterly sample, which was reflected in a drop in the net trade finance granted, on average, by these companies. This decline was most evident in the portion of the distribution comprising those companies which lend most funds in net terms as a result of their commercial activity (see Box 1).

Turning to a sector-by-sector analysis, the performance was favourable in almost all sectors, with either GVA growth or more moderate declines than the previous year. Only the energy industry worsened in 2015, since profit fell by 2.6%, whereas a year earlier it rose by 4.6% (see Table 2). Noteworthy among the other aggregates is industry, where GVA soared (by 32.9%, a rate greatly impacted by the extraordinary increase in the refining sub-sector). However, in the other industrial sub-sectors this indicator also performed positively and more favourably than in 2014, including most notably the chemicals industry, the manufacture of transport equipment and the manufacture of minerals and metals, in which it increased by 34.3%, 12.2% and 7.5%, respectively.

2 This sample comprises companies with an annual turnover exceeding €6 million, which are obliged to file VAT returns and monthly statements of withholding tax on wages with the Tax Authorities. It contains information on, inter alia, total sales, exports and imports, employment and personnel costs.

YEAR-ON-YEAR CHANGES IN THE PROFIT AND LOSS ACCOUNT, AND PROFIT RATIOS
Growth rates of the same corporations on the same period a year earlier, percentages

TABLE 1

DATABASES	CBI Structure 2014	CBI 2013	CBI 2014	CBQ (a) 2013 Q1-Q4 / 2012 Q1-Q4	CBQ (a) 2014 Q1-Q4 / 2013 Q1-Q4	CBQ (a) 2015 Q1-Q4 / 2014 Q1-Q4
Number of corporations		626,480	498,957	839	880	896
Total national coverage (% of GVA)		46.7	40.5	11.8	13.4	13.4
PROFIT AND LOSS ACCOUNT						
1 VALUE OF OUTPUT (including subsidies)	100.0	-1.9	2.0	-3.9	-0.1	-2.6
Of which:						
Net amount of turnover and other operating income	*151.5*	*-1.8*	*3.9*	*-3.3*	*1.8*	*-2.4*
2 INPUTS (including taxes)	65.2	-1.7	1.6	-3.7	-0.2	-6.1
Of which:						
Net purchases	*41.8*	*-3.4*	*2.2*	*-7.0*	*0.1*	*-9.2*
Other operating costs	*23.3*	*-0.4*	*1.1*	*1.4*	*0.8*	*0.9*
S.1 GROSS VALUE ADDED AT FACTOR COST [1 – 2]	34.8	-2.3	2.9	-4.3	-0.0	5.6
3 Personnel costs	23.3	-1.5	2.4	-1.7	0.9	2.3
S.2 GROSS OPERATING PROFIT [S.1 – 3]	11.5	-3.8	3.9	-6.7	-1.0	9.3
4 Financial revenue	3.8	4.8	-18.4	14.5	-24.7	-11.0
5 Financial costs	3.5	-4.6	-5.6	-0.7	-7.7	-9.4
6 Depreciation, impairment and operating provisions	5.7	-6.7	-4.4	-1.5	-2.4	-0.3
S.3 ORDINARY NET PROFIT [S.2 + 4 – 5 – 6]	6.0	9.5	0.8	0.2	-14.4	14.9
7 Gains (losses) from disposals and impairment	-0.9	22.9	71.5	35.1	96.6	—
7' As a percentage of GVA (7 / S.1)		-9.0	-2.6	-15.1	-0.5	-10.2
8 Changes in fair value and other gains (losses)	0.4	52.9	—	-0.5	43.7	-88.1
8' As a percentage of GVA (8 / S.1)		-1.5	1.0	-5.5	-2.6	-5.1
9 Corporate income tax	0.7	—	27.0	—	—	74.8
S.4 NET PROFIT [S.3 + 7 + 8 – 9]	4.8	—	178.9	192.9	137.1	-41.3
S.4' As a percentage of GVA (S.4 / S.1)		2.6	13.7	11.1	24.1	14.4
PROFIT RATIOS	Formulas (b)					
R.1 Return on investment (before taxes)	(S.3 + 5.1) / NA	4.3	4.3	5.6	5.2	5.1
R.2 Interest on borrowed funds/ interest-bearing borrowing	5.1 / IBB	3.7	3.6	3.5	3.3	3.0
R.3 Ordinary return on equity (before taxes)	S.3 / E	4.7	4.8	7.5	6.8	6.6
R.4 ROI – cost of debt (R.1 – R.2)	R.1 – R.2	0.6	0.7	2.1	1.9	2.1

SOURCE: Banco de España.

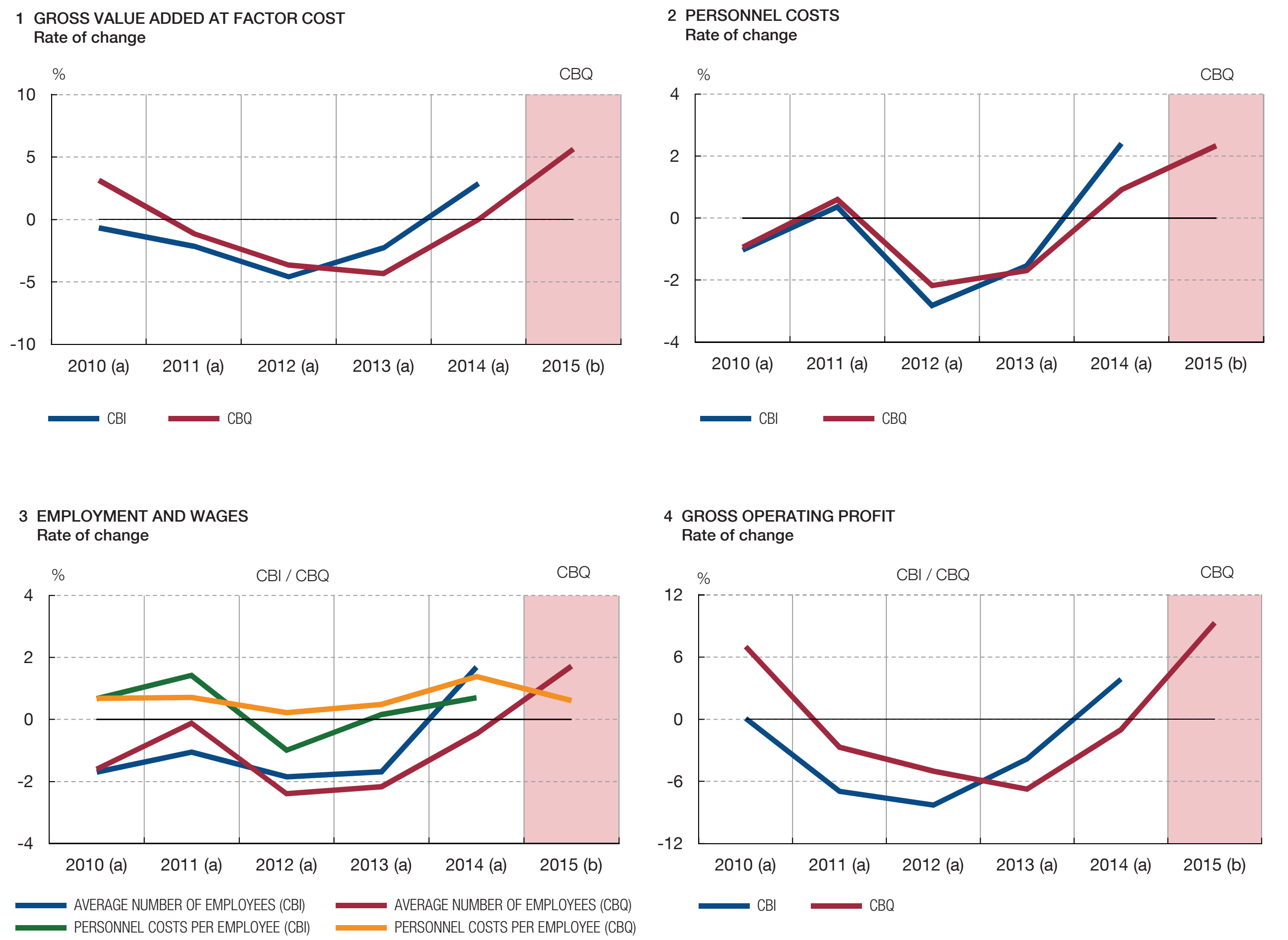
a All the data in this column have been calculated as the weighted average of the quarterly data.
b NA = Net assets (net of non-interest-bearing borrowing); E = Equity; IBB = Interest-bearing borrowing; NA = E + IBB. The financial costs in the numerators of ratios R.1 and R.2 only include the portion of financial costs that is interest on borrowed funds (5.1) and not other financial costs (5.2).

NOTE: In calculating rates, internal accounting movements have been edited out of items 4, 5, 7 and 8.

The wholesale and retail trade and accommodation and food services sector benefited from the recovery of consumption and also showed expansionary behaviour, with increases in GVA of 4%, almost 3 pp up on the 2014 figure. Although the information and communications sector continued to post negative rates of change, in a setting of high competition and narrowing margins, they were more moderate than in prior years (1% as compared to the 7.4% fall of the previous year). Lastly, the group encompassing other activities showed an increase of 3.2%, boosted by the sound performance of corporations in the transport sector and other services.

NON-FINANCIAL CORPORATIONS REPORTING TO THE CENTRAL BALANCE SHEET DATA OFFICE

CHART 1



Reporting non-financial corporations		2010	2011	2012	2013	2014	2015
Number of corporations	CBI	560,627	594,687	629,926	626,480	498,957	—
	CBQ	798	811	832	839	880	896
% of GVA of sector non-financial corporations	CBI	42.6	44.6	47.3	46.7	41	—
	CBQ	11.3	11.9	12.2	11.8	13.4	13.4

SOURCE: Banco de España.

a The 2010, 2011, 2012, 2013 and 2014 data, for the corporations reporting to the CBI, and the average data of the four quarters of each year in relation to the previous year (CBQ).
b Average of the four quarters of 2015 relative to the same period in 2014.

Chart 2 shows that in 2015 GVA growth intensified in all the quartiles of the distribution of the CBQ corporations, suggesting that the improvement in activity has affected the corporations in the sample in general. Also, there is a lower dispersion (proxied by the distance between the extreme percentiles) in the performance of this indicator across firms.

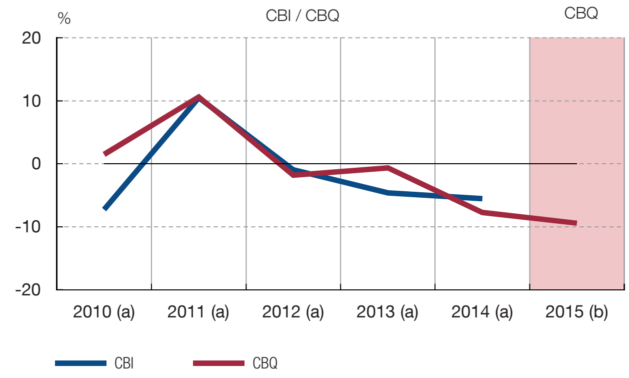
Employment and personnel costs

Personnel costs rose 2.3% in 2015, almost 1.5 pp more than in the previous year (see Table 2). This was due mainly to the gradual recovery in employment, in a setting in which average compensation has continued to make moderate progress.

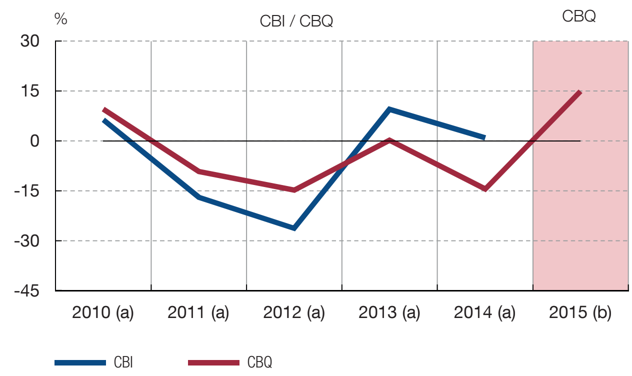
Average workforce numbers of the quarterly sample increased by 1.7% as compared with the 0.5% decrease of the previous year. In line with these developments, the data in Table 4 reveal how in 2015 there was a substantial rise in the percentage of corporations that did

NON-FINANCIAL CORPORATIONS REPORTING TO THE CENTRAL BALANCE SHEET DATA OFFICE (cont'd) — CHART 1

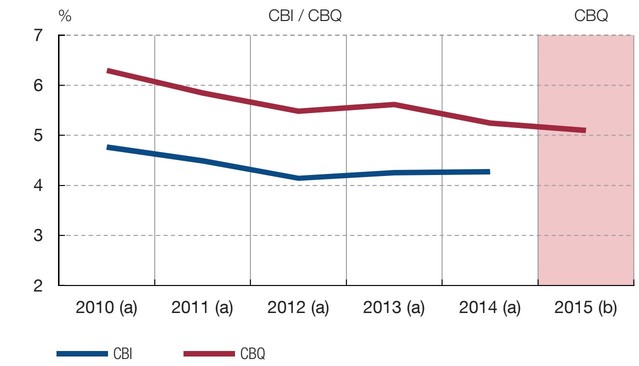
1 FINANCIAL COSTS
Rate of change



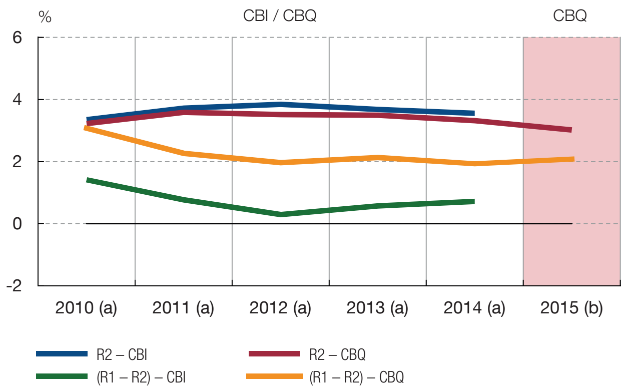
2 ORDINARY NET PROFIT
Rate of change



3 RETURN ON INVESTMENT (R.1)
Ratios



4 COST OF DEBT (R.2) AND ROI - COST OF DEBT (R.1 – R.2)
Ratios



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	CBQ	11.3	11.9	12.2	11.8	13.4	13.4

SOURCE: Banco de España.

a The 2010, 2011, 2012, 2013 and 2014 data for the corporations reporting to the CBI, and the average data of the four quarters of each year (CBQ). The rates are calculated relative to the previous year.
b Average of the four quarters of 2015. The rates are calculated relative to the same period in 2014.

not destroy jobs, to 62%, 10 pp more than the previous year. The recovery of employment was once again more marked in temporary employment, which grew by 12% (see Table 5). Permanent employment in this sample showed a tendency to recover at the end of the year, with a slight increase in the last quarter (0.4% in year-on-year terms), although for the year as a whole it continued to fall (by 0.2%), albeit more moderately than in 2014 (1%).

Sectoral analysis of activity shows that the positive performance of employment was very widespread. Industry, wholesale and retail trade and accommodation and food services and the group encompassing all other activities were the sectors in which there was strongest growth in average workforces, with rates of 1.7% in the first two sectors and 2.4% in the third. The information and communications sector showed a more moderate

VALUE ADDED, EMPLOYEES, PERSONNEL COSTS AND COMPENSATION PER EMPLOYEE. BREAKDOWN BY SIZE AND MAIN ACTIVITY OF CORPORATIONS

TABLE 2

Growth rate of the same corporations on the same period a year earlier, percentages

	Gross value added at factor cost				Employees (average for period)				Personnel costs				Personnel costs per employee			
	CBI		CBQ (a)		CBI		CBQ (a)		CBI		CBQ (a)		CBI		CBQ (a)	
	2013	2014	2014 Q1-Q4	2015 Q1-Q4	2013	2014	2014 Q1-Q4	2015 Q1-Q4	2013	2014	2014 Q1-Q4	2015 Q1-Q4	2013	2014	2014 Q1-Q4	2015 Q1-Q4
TOTAL	**-2.3**	**2.9**	**0.0**	**5.6**	**-1.7**	**1.7**	**-0.5**	**1.7**	**-1.5**	**2.4**	**0.9**	**2.3**	**0.2**	**0.7**	**1.4**	**0.6**
SIZE																
Small	-2.1	5.4	—	—	-1.5	3.1	—	—	-2.5	2.8	—	—	-1.0	-0.3	—	—
Medium	-0.6	5.2	3.3	6.9	-1.0	2.7	1.8	2.3	-0.8	3.2	2.7	3.7	0.2	0.5	0.9	1.4
Large	-2.5	1.8	0.0	5.6	-1.9	0.7	-0.5	1.7	-1.1	2.1	0.9	2.3	0.8	1.5	1.4	0.6
BREAKDOWN BY ACTIVITY																
Energy	-3.8	1.1	4.6	-2.6	-2.6	-2.5	-2.8	-0.3	-1.3	-1.0	-1.2	-1.1	1.3	1.6	1.6	-0.8
Industry	-1.6	4.8	-4.1	32.9	-1.4	1.5	0.0	1.7	-0.9	2.4	1.4	2.3	0.6	1.0	1.4	0.6
Wholesale & retail trade and accommodation & food service activities	-0.5	3.7	1.3	4.0	-1.5	1.5	-1.1	1.7	-1.2	2.2	2.4	2.6	0.3	0.7	3.5	0.9
Information and communications	-5.1	-3.7	-7.4	-1.0	-2.5	0.9	-1.6	0.9	-3.3	4.7	-0.8	4.5	-0.9	3.7	0.8	3.6
Other activities	-2.7	3.6	2.4	3.2	-1.8	2.3	0.7	2.4	-1.8	2.4	0.9	2.5	0.0	0.1	0.2	0.1

SOURCE: Banco deEspaña.

a All the data in these columns have been calculated as the weighted average of the quarterly data.

PURCHASES AND TURNOVER OF CORPORATIONS REPORTING DATA ON PURCHASING SOURCES AND SALES DESTINATIONS

TABLE 3

Structure and rate of change, percentages

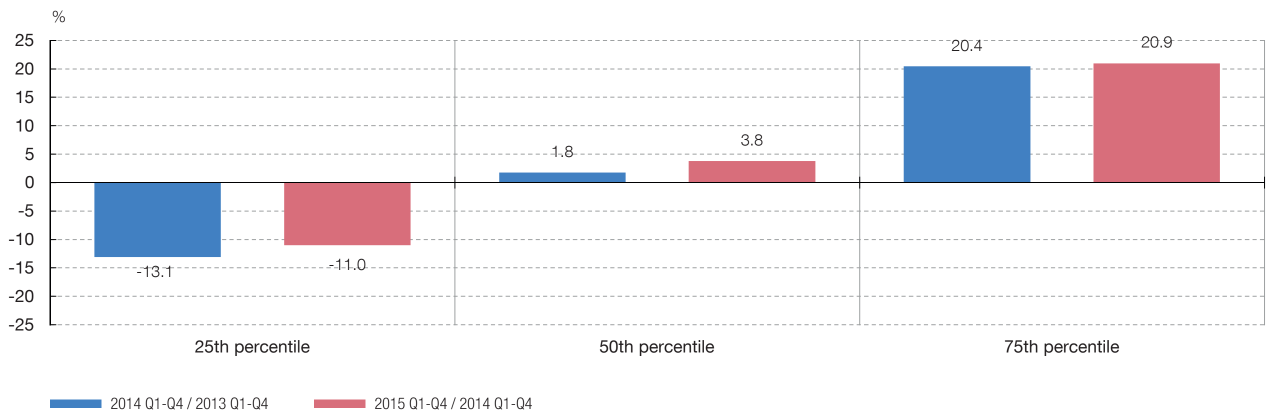
		CBA		CBQ (a)	
		2013	2014	2014 Q1-Q4	2015 Q1-Q4
Total corporations		8,069	8,069	896	896
Corporations reporting source/destination		8,069	8,069	834	834
Percentage of net purchases according to source	Spain	64.7	65.7	72.5	70.2
	Total abroad	35.3	34.3	27.5	29.8
	EU countries	15.9	15.9	21.0	22.7
	Third countries	19.4	18.4	6.5	7.1
Percentage of net turnover according to destination	Spain	79.0	78.1	78.8	77.5
	Total abroad	21.0	21.9	21.2	22.5
	EU countries	13.2	13.7	15.3	15.9
	Third countries	7.8	8.3	6.0	6.5
Change in net external demand (exports less imports), rate of change	Industry	130.2	105.5	-2.3	1.3
	Other corporations	52.9	—	-27.7	2.2

SOURCE: Banco de España.

a All the data in these columns have been calculated as the weighted average of the relevant quarterly data.

PERCENTILES OF DISTRIBUTION OF CORPORATIONS BY RATE OF CHANGE IN GROSS VALUE ADDED

CHART 2



SOURCE: Banco de España.

PERSONNEL COSTS AND EMPLOYEES
Percentage of corporations in specific situations

TABLE 4

	CBI			CBQ (a)		
	2012	2013	2014	2013 Q1-Q4	2014 Q1-Q4	2015 Q1-Q4
Number of corporations	629,926	626,480	498,957	839	880	896
PERSONNEL COSTS	100	100	100	100	100	100
Falling	38.4	36.6	30.1	49.4	41.4	35.8
Constant or rising	61.6	63.4	69.9	50.6	58.6	64.2
AVERAGE NUMBER OF EMPLOYEES	100	100	100	100	100	100
Falling	26.4	23.7	13.2	54.1	48.2	38.0
Constant or rising	73.6	76.3	86.8	45.9	51.8	62.0

SOURCE: Banco de España.

a Weighted average of the relevant quarters for each column.

EMPLOYMENT

TABLE 5

		Total CBQ corporations 2015 Q1 - Q4	Corporations increasing (or not changing) staff levels	Corporations reducing staff levels
Number of corporations		896	556	340
NUMBER OF EMPLOYEES				
Initial situation Q1-Q4 (000s)		900	591	309
Rate Q1-Q4 / 2014 Q1-Q4		1.7	5.1	-4.7
Permanent	Initial situation Q1-Q4 (000s)	758	492	266
	Rate Q1-Q4 / Q1-Q4	-0.2	2.1	-4.4
Non-permanent	Initial situation Q1-Q4 (000s)	143	100	43
	Rate Q1-Q4 / Q1-Q4	12.0	19.8	-6.2

SOURCE: Banco de España.

FINANCIAL COSTS
Percentages

TABLE 6

	CBI	CBQ	
	2014/2013	2014 Q1-Q4/ 2013 Q1-Q4	2015 Q1-Q4/ 2014 Q1-Q4
Change in financial costs	-5.6	-7.7	-9.4
A Interest on borrowed funds	-5.1	-7.6	-8.2
1 Due to the cost (interest rate)	-3.5	-5.5	-8.4
2 Due to the amount of interest-bearing debt	-1.6	-2.1	0.2
B Other financial costs	-0.5	-0.1	-1.2

SOURCE: Banco de España.

increase (0.9%), while the energy sector posted a slight decrease (0.3%), very much less than the decline in 2014 (2.8%).

Average compensation rose by 0.6% in 2015, 0.8 pp less than in the previous year (see Table 2). This slowdown in the growth of wage costs per employee was extensive to almost all sectors of activity, except in the information and communications sector, which saw the biggest increases (3.6%).

Profit, rates of return and debt

In line with the expansionary pattern of productive activity, GOP grew in 2015 by 9.3%, as compared with the 1% fall of the previous year. Financial revenue fell by 11% (the previous year it was down 24.7%) as a result of the contraction in both dividends received and interest income (11% and 11.2%, respectively). Financial costs also fell (9.4%) due mainly to the lower average cost of debt borne by firms, since the average levels of interest-bearing debt remained similar to those achieved the previous year and thus did not have a significant impact on the performance of these costs (see Table 6).

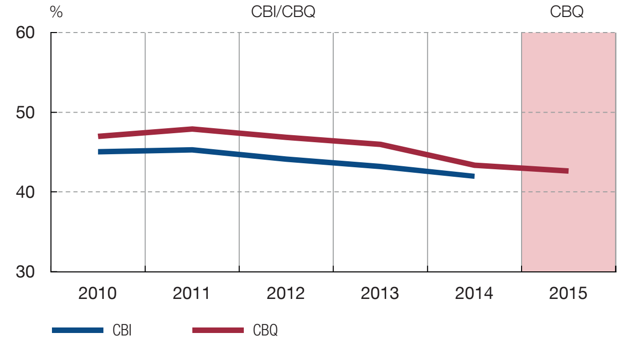
In 2015, over the year as a whole, interest-bearing liabilities contracted once again, albeit at a more moderate rate than a year earlier. This caused the E1 debt ratio (calculated as the ratio of interest-bearing debt to net assets) to fall by 0.7 pp, to 42.6% (see Chart 3). There was a slight downturn in all sectors except for information and communications, which is the only sector in which this ratio increased. The E2 ratio (defined as the ratio of interest-bearing debt to GOP plus financial revenue) and the interest burden ratio (calculated with the same denominator) also fell, as a result both of the decline in debt and financial costs and of the growth in profit, which constitute the denominator of these ratios. The breakdown by sector shows that the decline in both ratios was more marked in industry, in line with the strong growth in profit, while in the other sectors the changes were generally of little significance and of an opposing sign. On the whole, the performance of the three indicators reveals that the financial pressure borne by firms decreased again in 2015.

ONP grew by 14.9%, in line with the trend towards an increase in previous instances. As in the case of GVA, growth was more marked in medium-sized firms (25.3%) than in large corporations (14.8%) (see Table 7). Despite the positive pattern in ordinary profit, aggregate profit ratios continued to fail to post increases and, thus, the return on investment stood at 5.1% and the return on equity stood at 6.6%; i.e. 0.1 pp and 0.2 pp below the 2014 data, respectively. However, this aggregate performance was greatly impacted by the unfavourable performance of some large corporations, since there was a recovery in profit

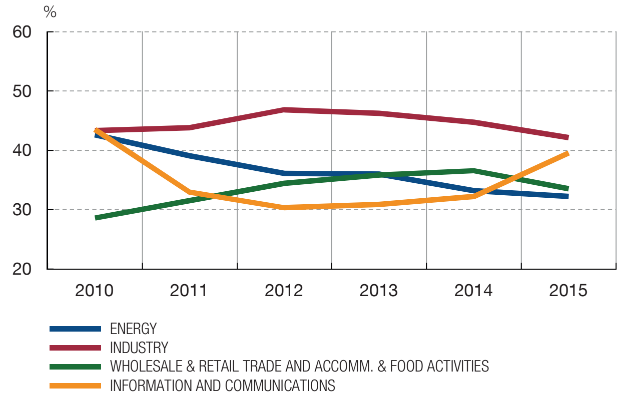
FINANCIAL POSITION RATIOS

CHART 3

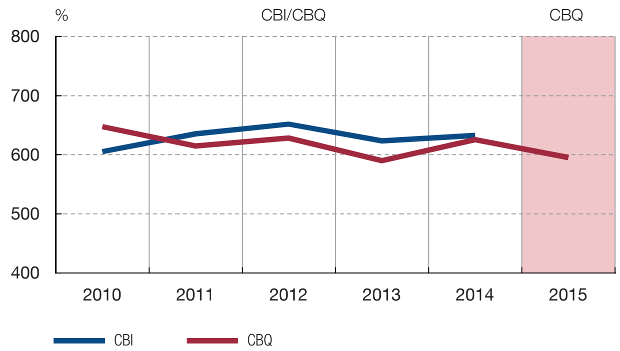
E1. INTEREST-BEARING BORROWING/NET ASSETS (a)
TOTAL CORPORATIONS



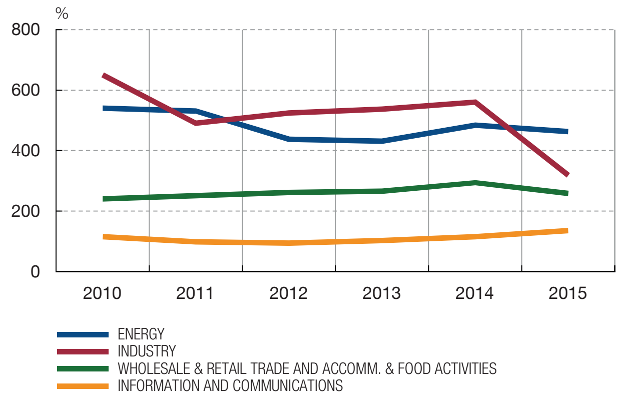
E1. INTEREST-BEARING BORROWING/NET ASSETS (a)
BREAKDOWN BY SECTOR. CBQ
Ratios



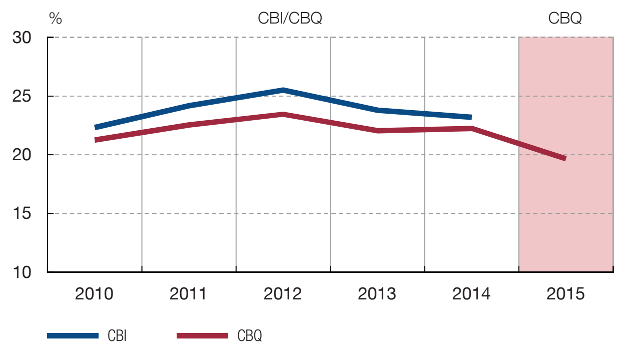
E2. INTEREST-BEARING BORROWING/(GOP + FR) (b)
TOTAL CORPORATIONS
Ratios



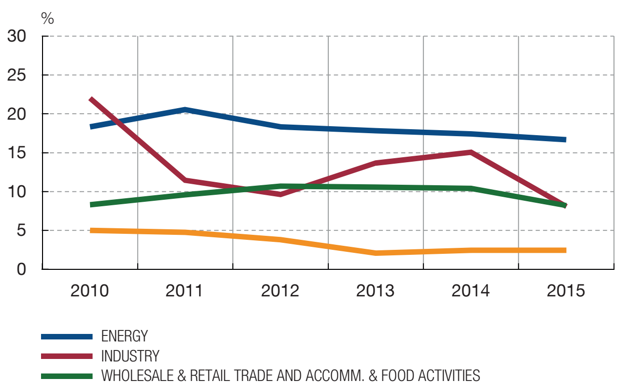
E2. INTEREST-BEARING BORROWING/(GOP + FR) (b)
BREAKDOWN BY SECTOR. CBQ
Ratios



INTEREST BURDEN
TOTAL CORPORATIONS
(Interest on borrowed funds) / (GOP + FR)



INTEREST BURDEN
BREAKDOWN BY SECTOR. CBQ
(Interest on borrowed funds)/(GOP + FR)



SOURCE: Banco de España.

a Ratio calculated from final balance sheet figures. Net assets include an adjustment to current prices.
b Ratio calculated from final balance sheet figures. Interest-bearing borrowing includes an adjustment to eliminate intra-group debt (approximation of consolidated debt).

GROSS OPERATING PROFIT, ORDINARY NET PROFIT, RETURN ON INVESTMENT AND ROI-COST OF DEBT (R.1 – R.2). BREAKDOWN BY SIZE AND MAIN ACTIVITY OF CORPORATIONS **TABLE 7**

Ratios and growth rates of the same corporations on the same period a year earlier, percentages

	Gross operating profit				Ordinary net profit				Return on investment (R.1)				ROI-cost of debt (R.1-R.2)			
	CBI		CBQ (a)		CBI		CBQ (a)		CBI		CBQ (a)		CBI		CBQ (a)	
	2013	2014	2014 Q1 - Q4	2015 Q1 - Q4	2013	2014	2014 Q1 - Q4	2015 Q1 - Q4	2013	2014	2014 Q1 - Q4	2015 Q1 - Q4	2013	2014	2014 Q1 - Q4	2015 Q1 - Q4
TOTAL	**-3.8**	**3.9**	**-1.0**	**9.3**	**9.5**	**0.8**	**-14.4**	**14.9**	**4.3**	**4.3**	**5.2**	**5.1**	**0.6**	**0.7**	**1.9**	**2.1**
SIZE																
Small	-0.5	17.1	—	—	79.6	93.3	—	—	1.4	1.9	—	—	-2.1	-1.4	—	—
Medium	0.1	11.3	4.7	13.7	7.3	27.6	18.8	25.3	4.5	5.3	4.3	4.8	0.6	1.5	0.7	2.8
Large	-4.8	1.1	-1.1	9.3	7.5	-5.7	-14.5	14.8	5.0	4.9	5.2	5.1	1.3	1.3	1.9	2.1
BREAKDOWN BY ACTIVITY																
Energy	-5.0	2.1	6.9	-3.1	0.8	-14.4	-10.9	1.8	5.8	3.9	4.8	4.9	1.9	0.4	1.2	1.6
Industry	-3.4	9.9	-16.0	110.4	-7.5	14.7	-32.8	—	5.2	5.9	3.5	9.0	1.7	2.4	0.9	6.6
Wholesale & retail trade and accommodation & food service activities	1.9	8.0	-0.5	6.4	3.2	15.9	-4.3	10.7	5.6	6.0	10.0	10.9	1.6	2.3	6.3	7.9
Information and communications	-6.8	-11.5	-10.5	-4.3	-7.9	-21.1	-15.7	-9.8	13.5	9.9	16.2	14.9	9.2	6.6	12.7	12.7
Other activities	-5.7	7.1	5.7	4.5	—	5.3	-21.5	-9.3	2.9	3.3	4.5	3.5	-0.7	-0.2	1.2	0.5

SOURCE: Banco de España.

a All the data in these columns have been calculated as the weighted average of the quarterly data.

STRUCTURE OF REPORTING CORPORATIONS' RETURN ON INVESTMENT AND ORDINARY RETURN ON EQUITY **TABLE 8**

		CBQ			
		Return on investment (R.1)		Ordinary return on equity (R.3)	
		2014 Q1-Q4	2015 Q1-Q4	2014 Q1-Q4	2015 Q1-Q4
Number of corporations		880	896	880	896
Percentage of corporations by profitability bracket	R <= 0%	28.8	25.8	33.2	28.6
	0% < R <= 5%	24.7	23.8	16.5	15.5
	5% < R <= 10%	13.8	15.2	10.7	10.9
	10% < R <= 15%	8.4	9.1	7.4	9.5
	15% < R	24.3	26.1	32.3	35.6
MEMORANDUM ITEM: Median return.		4.1	5.1	5.1	7.6

SOURCE: Banco de España.

ratios in the medium-sized firms. Also, the data in Table 8 evidence that in 2015 there was a decline in the percentage of firms posting losses, benefiting those segments in which this indicator was equal to or more than 5%, which shows that the improvement in profit levels spread to an ever higher number of firms in the quarterly sample. This was also reflected in the increase in firms' median return on investment (and also median return on equity), from 4.1% to 5.1%.

The sector-by-sector breakdown reveals that the performance of the return on investment was highly heterogeneous. Thus, in the information and communications sector and in the group comprising all other activities (which includes holding companies which posted a slump in financial revenue) there were declines in this ratio, of around 1 pp (see Table 7). In contrast, there was an increase in profitability in the other sectors, with a very marked rise in the case of industry, from 3.5% to 9%.

The average cost of debt fell by 0.3 pp in 2015, to 3%. The course of the return on investment, together with the fall in the cost of debt, translated into a slight widening of the spread between the two ratios, which stood at 2.1% as compared with 1.9% in the previous year. Sectorally there was a noteworthy improvement in wholesale and retail trade and accommodation and food services and, especially, in industry, where the difference widened by almost 6 pp to 6.6%.

Lastly, extraordinary gains and losses in 2015 exerted a negative influence on final profit. This was due to the heavy losses on the sale of (mainly financial) assets, in contrast to the sizeable gains recorded a year earlier. Also, in 2014 significant provisions were recognised to cover workforce restructuring costs in some of the large corporations in the CBQ sample. As a result of all of the foregoing, profit for the year fell by 41.3%. Expressed as a percentage of GVA, this indicator stood at 14.4%, 10 pp lower than the 2014 figure.

14.3.2016.

An analysis of the flows associated with trade credit is significant for several reasons. Firstly, it is an important form of financing, through which some firms raise, in net terms, funds from other firms and sectors, while others are in the opposite situation. Moreover, this information can help identify the degree of financial pressure to which firms may be subject, indicating, for example, the existence of possible liquidity problems (if supplier payment periods are extended), or tensions associated with extensions in customer collection periods, when they cannot be offset by increases in other sources of financing. This Box analyses, using the Central Balance Sheet Data Office's annual (CBA) and quarterly (CBQ) databases, trade credit between 2009 and 2015, along with certain related indicators, such as those which make it possible to calculate approximate average supplier payment or customer collection periods[1]. In any event, it should be noted that the payment and collection periods obtained in this manner are useful approximations for their analysis, but they cannot be used as a reference for verifying the degree of compliance with the legal limits established in relation to these periods[2].

During the recent period of crisis, Spanish firms saw a strong deterioration in their commercial activity, which translated into a decline in customer and supplier balances, a trend which, except in 2010, when the momentum in activity was somewhat higher, was maintained until 2012 (see Panels 1 and 2). The downturn was more marked among SMEs than among large corporations, in line with the greater impact of the crisis on this corporate segment. After 2013, however, this pattern was reversed, and it was the smallest firms that showed the sharper recovery in terms of trade finance received and granted, posting slight increases in both items in 2014. As for the large corporations, these balances continued to contract during this expansionary period, albeit at a rather more moderate rate. The data of the CBQ, which has a smaller sample of firms than the CBI and in which the relative weight of large corporations is higher, show that in 2015, despite the recovery of activity, the decline in trade balances continued, although at a somewhat more moderate rate than the previous year. In any event, it should be noted that the aggregate data for 2015 are very much shaped by the impact of the fall in oil prices on the nominal amount of purchases and sales of the companies in the refining sector, with a downward trend in the customer and supplier balances for the sample as a whole. Excluding this sector, the course of the balances of these two items would be more expansionary, and the supplier balance would even increase slightly.

The developments in trade credit described above were accompanied by a progressive decline in average payment and collection periods, and this pattern was favoured both by the reduction in the legal maximum periods and by the supplier payment plans introduced by the Government in 2012[3]. Thus, between 2009 and 2014, for SMEs, the average payment period fell by 14 days and the average collection period by 8 days, whereas among large corporations there were rather sharper falls of 18 days and 10 days, respectively (see Panel 3). Accordingly, payment and collection periods were slightly shorter in 2014 than before the crisis, with the rise witnessed in the early years of the crisis thus being corrected. The latest data on the quarterly sample (which is more representative of the large corporations given their high relative weight in this database) suggest that in 2015 the average collection period will have continued to fall slightly, while the average payment period will have remained at similar levels to the previous year.

The effect of these changes on the ratio of net trade finance granted (which indicates the number of days which the firm grants —or obtains, if the figure is negative— funds, in net terms, as a result of its commercial transactions) differs depending on the size of the firms. Thus, for SMEs, where the average grant period is normally higher, this ratio remained largely unchanged during the entire period under analysis, at around 20 days. This indicates that this type of firm grants, on average, trade finance to the other firms and institutional sectors (households, public authorities and non-residents). In contrast, in the large corporations net trade finance grew moderately until 2012, in a context of a much more marked reduction in their average payment periods than in average collection periods, and then fell to very close to zero (see Panel 4). Therefore, on average, large corporations have maintained a balanced position in their trade finance flows in recent years, and this observation is confirmed by the latest CBQ data.

1 Specifically, the supplier payment period is calculated as the ratio of this variable to annual purchases, multiplied by 365. The customer collection period is calculated in a similar manner (ratio of customer balances to annual sales multiplied by 365), and the period of net trade finance granted is obtained as the difference between the customer and supplier balances, divided by total annual sales, multiplied by 365.

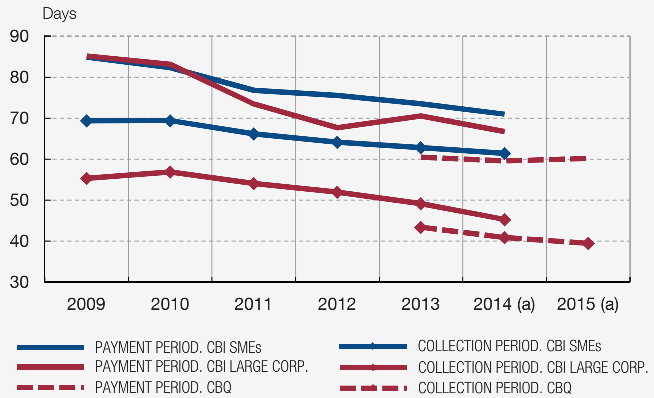
2 In order to limit supplier payment periods, in the year 2000 a European Directive (2000/35/EC) on combating late payment in commercial transactions was enacted. This Directive was transposed into Spanish law through Law 15/2010 (amending Law 3/2004), establishing, as the final objective for 1 January 2013, a maximum payment period for commercial transactions both between companies and with Public Authorities. To this end, a transitional period was established, with progressive reductions, with a maximum of a 60-day supplier payment period for transactions between companies and a 30-day period for transactions with Public Authorities by 2013.

3 The supplier payment plans established an extraordinary financing mechanism for payment and repayment of trade debt arranged with suppliers of regional and local governments, where there were significant delays in payments.

1 GROWTH OF CUSTOMER BALANCE

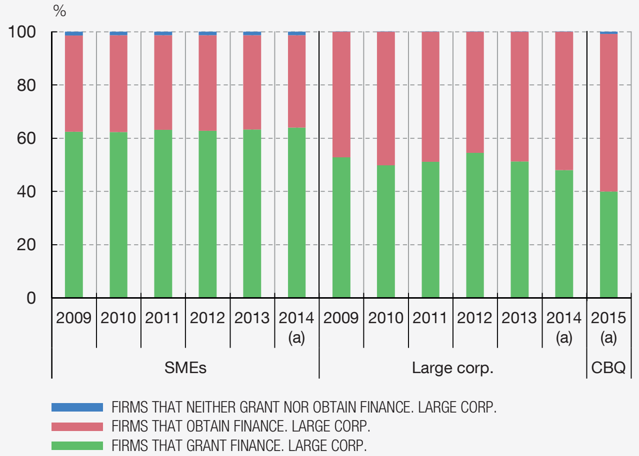
2 GROWTH OF SUPPLIER BALANCE

3 AVERAGE SUPPLIER PAYMENT AND CUSTOMER COLLECTION PERIODS. WEIGHTED AVERAGE (b)

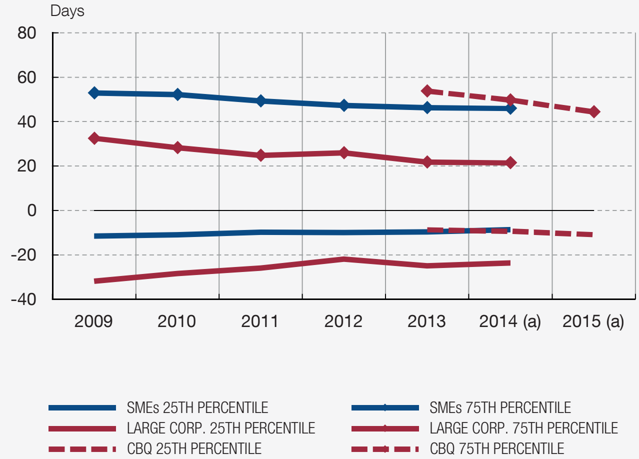


4 NET TRADE FINANCE. WEIGHTED AVERAGE (c)

5 WEIGHT OF SALES DEPENDING ON SIGN OF NET TRADE FINANCE (c)



6 NET TRADE FINANCE. DISTRIBUTION (c)



SOURCE: Banco de España.

a The 2014 data for the CBI are the result of applying the change in average days, calculated on the basis of a common sample of firms, to the data from the prior period. The 2015 data are the result of applying the change obtained on the basis of a common sample of CBQ firms to the 2014 data.
b The supplier payment period is defined as the ratio of suppliers to annual purchases multiplied by 365. The customer collection period is defined as the ratio of customers to annual sales multiplied by 365.
c Defined as the ratio of customers minus suppliers to annual sales multiplied by 365.

In any event, a calculation of net trade finance at the aggregate level may conceal heterogeneity and, therefore, an analysis of the distributions thereof is useful. As observed in Panels 5 and 6, there is notable dispersion in this indicator and, thus, for example, a significant proportion of firms (mainly large corporations but also a sizeable number of SMEs) obtained funds, in net terms, as a result of their commercial transactions, whereas in another large proportion of the corporate sector the opposite occurred. Panel 6 also shows that in the period under analysis there was a gradual decline in the period of trade finance granted by firms, both large corporations and SMEs, which had longer periods, as illustrated by the reduction in the 75th percentile of the distribution. This also led to a reduction in heterogeneity, especially in the larger corporations, as illustrated by the shorter distance between the 25th and 75th percentiles.

In conclusion, the evidence presented in this Box shows that since 2009 there has been a gradual reduction in average collection and payment periods, a pattern which was maintained both during the last years of the crisis and in the most recent period of economic recovery. This pattern was clearly favoured both by the introduction of the regulation limiting these periods and by supplier payment plans. This has resulted in less liquidity pressure on firms that have a net credit position on the commercial debt markets.