

RESULTS OF NON-FINANCIAL CORPORATIONS TO 2010 Q2

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Overview¹

In the first six months of 2010, there was a recovery in the productive activity of the sample firms of the Central Balance Sheet Data Office Quarterly Survey (CBQ). This recovery was reflected in 6.4% growth of gross value added (GVA), in contrast to the sharp decline in this surplus a year earlier (-13.7%). The recovery in activity extended to virtually all productive sectors, which benefited from the pick-up in private consumption and investment in capital goods and also from the recovery in external activity.

Personnel costs fell by 1.6% in the first half of 2010, a slightly higher rate than a year earlier (-1.3%). This was the consequence of greater wage restraint and a continuation of the decline in employment, which, although slower than in 2009, continued to involve a majority of firms. Thus, the data on average numbers of workers confirm that the firms continued to reduce their workforces during the first half of 2010 (-2.7%), although at a slower rate than in the same period of the previous year (-3.1%). Analysing these developments in terms of the type of contract, the 2010 data show that the brunt of the labour adjustment was borne by temporary employment, which continued to record the most negative rates of change (-8.1%), although the pace of decline eased as the year progressed. Conversely, permanent employment deteriorated in the first half of 2010, recording a decline of 1.8%, which was well above the rate of the first half of 2009 (-0.6%). All sectors of activity, without exception, cut their average workforce levels, the most severe job losses being in industry (-3.9%). Average compensation was very restrained during the first half of 2010, rising by 1.1%, 0.7 pp less than in the same period of 2009 (1.8%).

As a result of the recovery in productive activity and the decline in personnel costs, gross operating profit (GOP) rose by 14% in the first six months of 2010, in striking contrast to the sharp fall in this surplus in the same period of 2009 (-23.1%). Financial revenue and financial costs continued to fall in the first half of 2010, although the former did so more sharply (-13.6% and -3.8%, respectively). In the case of financial revenue the decline was similar to that in the first half of 2009 (-12.1%) and was attributable to the lower dividends received by the firms and, especially, the decrease in the interest received on loans granted by them. This decrease reflects the lower interest rates and also the cancellation of certain multinational group transactions, which have reduced the outstanding balance of loans. The lower interest rates also explain the lower amount of financing costs, although their impact on this item has been diminishing progressively in recent quarters, so that the fall in financial costs in 2010 (-3.8% as mentioned) was significantly smaller than that recorded in 2009 (30% over the entire year). Indebtedness remained practically unchanged and did not significantly affect financial costs.

The overall effect of these developments in financial revenues and costs was to make ordinary net profit (ONP) grow at a somewhat slower rate than GOP (9.3% in the first six months of 2010). This represented a significant improvement on a year earlier, when this surplus contracted sharply (-25.6%). The growth of ONP slightly raised firms' profit ratios compared with the previous year. The return on investment stood at 5.3% in the first half of 2010, up 0.3 pp from the previous year, while the return on equity rose to 7%, from 6.4% in the first half of 2009. At the same time, the ratio that approximates the cost of financing continued to fall in this period, to

1. The data that serve as a basis for this article come from the 731 corporations that had sent their quarterly information to the Central Balance Sheet Data Office (CBSO) as at 15 September 2010. In terms of GVA, this sample of firms represents a coverage of 13.1% of the total GVA of non-financial corporations.

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

TABLE 1

	CBA STRUCTURE	CBA		CBQ (a)		
	2008	2007	2008	09 Q1-Q4/ 08 Q1-Q4 (a)	09 Q1-Q2/ 08 Q1-Q2	10 Q1-Q2/ 09 Q1-Q2
DATABASES						
Number of corporations		9,243	9,384	787	813	731
Total national coverage		33.7%	29.9%	12.4%	12.6%	13.1%
PROFIT AND LOSS ACCOUNT						
1 VALUE OF OUTPUT (including subsidies)	100.0	8.0	0.2	-11.7	-19.1	16.1
<i>Of which:</i>						
— Net amount of turnover and other operating income	147.9	5.9	1.4	-12.9	-18.4	15.0
2 INPUTS (including taxes)	67.4	8.7	1.7	-13.1	-22.0	21.9
<i>Of which:</i>						
— Net purchases	95.1	4.4	1.1	-20.7	-35.2	40.6
— Other operating costs	21.5	8.9	1.6	-3.8	-4.1	5.9
S.1 GROSS VALUE ADDED AT FACTOR COST [1 – 2]	32.6	6.4	-2.8	-8.9	-13.7	6.4
3 Personnel costs	18.5	6.9	3.7	-1.5	-1.3	-1.6
S.2 GROSS OPERATING PROFIT [S.1 – 3]	14.1	5.9	-10.2	-14.9	-23.1	14.0
4 Financial revenue	5.5	19.4	4.9	-8.0	-12.1	-13.6
5 Financial costs	5.0	38.1	15.0	-30.0	-24.9	-3.8
6 Net depreciation, impairment and operating provisions	6.3	-0.2	14.6	-4.1	-2.0	8.0
S.3 ORDINARY NET PROFIT [S.2 + 4 – 5 – 6]	8.2	4.2	-25.3	-6.5	-25.6	9.3
7 Gains (losses) from disposals and impairment (c)	-2.0	-34.2	(b)	(b)	-28.6	-9.8
7' As a percentage of GVA (7/S.1)		2.7	-6.3	2.1	13.5	11.5
8. Changes in fair value and other gains (losses) (c)	-1.1	39.1	-53.0	(b)	10.0	-7.7
8' As a percentage of GVA (8/S.1)		-1.6	-3.3	-4.6	-0.6	-0.7
9 Corporate income tax	0.7	-15.3	-66.8	7.6	-25.8	40.8
S.4 NET PROFIT [S.3 + 7 + 8 – 9]	4.5	8.6	-50.8	5.4	-26.8	-2.6
S.4' As a percentage of GVA (S.4/S.1)		25.5	13.7	29.5	40.2	36.9
PROFIT RATIOS						
	Formulas (d)					
R.1 Return on investment (before taxes)	(S.3 + 5.1)/NA	8.9	7.4	6.2	5.0	5.3
R.2 Interest on borrowed funds/interest-bearing borrowing	5.1/IBB	4.8	5.1	3.4	3.6	3.3
R.3 Ordinary return on equity (before taxes)	S.3/E	12.5	9.5	8.7	6.4	7.0
R.4 ROI – cost of debt (R.1 – R.2)	R.1 – R.2	4.1	2.4	2.8	1.5	2.0

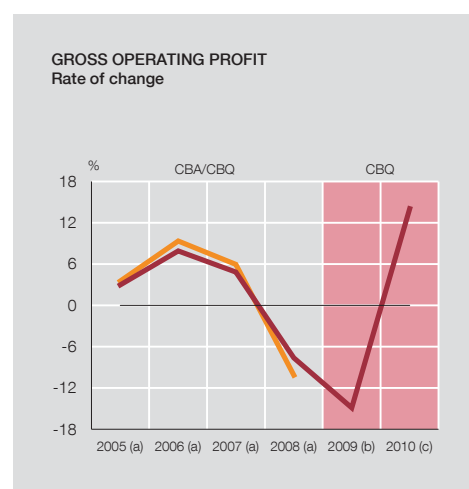
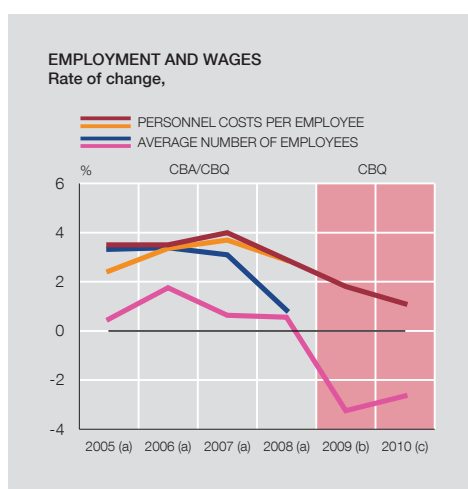
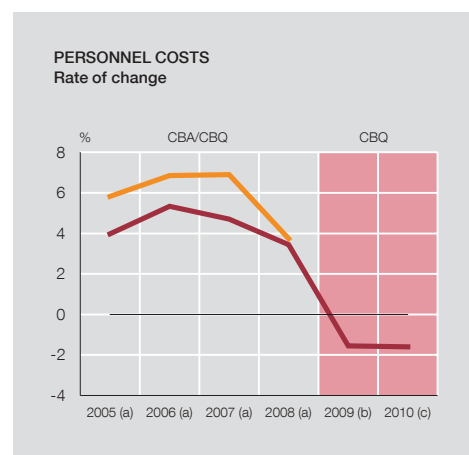
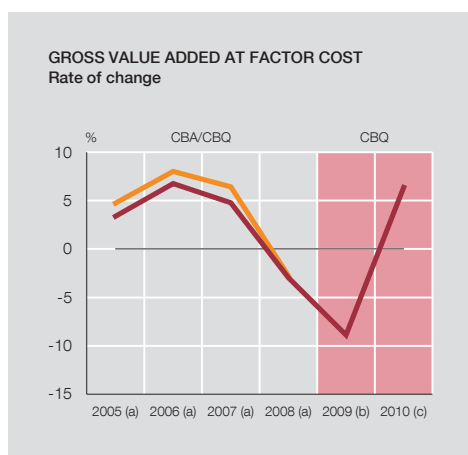
SOURCE: Banco de España.

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

- a. All the data in these columns have been calculated as the weighted average of the quarterly data.
b. Rate not significant or not calculable because the relevant figures are of opposite sign.
c. New P&L headings resulting from application of the new General Chart of Accounts (PGC 2007)
d. 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)

stand at 3.3%, 0.3 pp less than in the same period of the previous year. However, this decline was more moderate than in previous periods and is unlikely to be sustained by means of further cuts in financing costs, given their low current level. Finally, given the increase in the return on investment and the decline in the cost of debt, the difference between these two ratios remained positive in the first half of 2010 and was slightly larger than a year earlier (2, as against 1.5).

Lastly, in relation to extraordinary costs and revenues, the most notable development in 2010 was a sharp decline in extraordinary revenues, which stemmed from the large capital gains obtained from the disposal of fixed assets and shares in 2009, given the absence of significant transactions of this nature in 2010. In addition, the growth of taxes differed in these two half years: they grew strongly (40.8%) due to the increase in ordinary

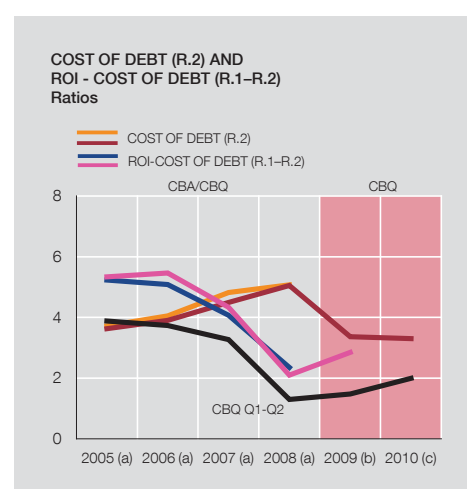
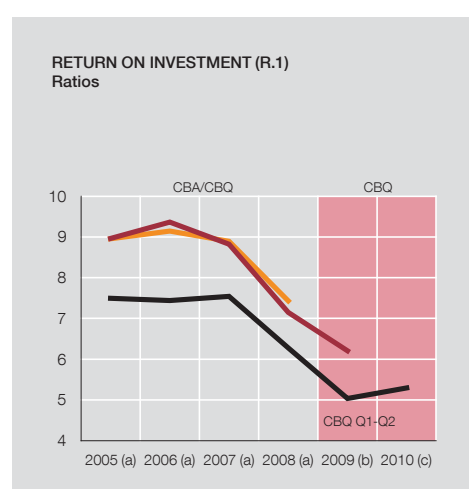
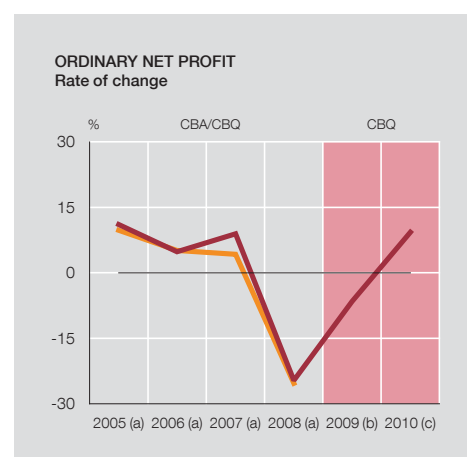
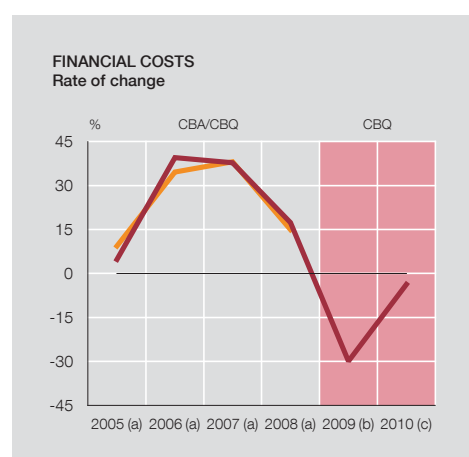


REPORTING NON-FINANCIAL CORPORATIONS		2005	2006	2007	2008	2009	2010
Number of corporations	CBA	9,135	9,286	9,243	9,384	—	—
	CBQ	811	828	845	813	787	731
% of GDP of the sector non-financial corporations	CBA	32.7	33.5	33.7	29.9	—	—
	CBQ	14.6	14.4	14.2	12.9	12.4	13.1

SOURCE: Banco de España.

- a. 2005, 2006, 2007 and 2008 data drawn from corporations reporting to the annual survey (CBA), and average data of the four quarters of each year in relation to the previous year (CBQ).
b. Average of the four quarters of 2009 relative to the same period in 2008.
c. Average of the first two quarters of 2010 relative to the same period in 2009.

profit in the first half of 2010, following an exceptional fall in the first half of 2009 (-25.8%), owing to the sharp contraction in ordinary profit and the fiscal impact, in that period, of the capital gains and extraordinary transactions, which were not subject to tax. All this led to a slightly negative performance by net profit, which fell by 2.6% in the first half of 2010, and to a decrease in the ratio of net profit to GVA. Specifically, net profit stood at 36.9% of GVA in the first half of 2010. Admittedly this is still a high level, but it is somewhat more than three percentage points down from the 40.2% level recorded in the first half of 2009.



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SOURCE: Banco de España.

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b. Average of the four quarters of 2009 relative to the same period in 2008.

c. Average of the first two quarters of 2010 relative to the same period in 2009.

To sum up, in the first half of 2010 the CBQ firms remained on the path of recovery in activity that they had embarked upon in the preceding quarters. This recovery, along with the reduction in personnel costs, against a background of wage restraint, was conducive to growth in gross operating profit and in ordinary net profit, and to a rise in profit ratios relative to 2009. However, net profit, although still high, was slightly lower than in the previous period, owing to the influence of extraordinary transactions. The positive profit developments did not translate into any improvement in employment or investment, which continued to decline in net terms in the first half of 2010, although somewhat more moderately than in the preceding year.

Activity

In the first half of 2010, the firms' productive activity continued to grow, in line with the recovery in previous quarters. GVA increased by 6.4% in the first half of 2010 (see Table 1 and Chart 1), in sharp contrast to the decline of 13.7% a year earlier. The greater vigour of productive activity was also apparent in the strong increase in both the value of output, which grew by 16.1% in the period analysed (as against the decline of 19.1% in the previous year), and inputs, which increased by 21.9% (-22% in the same period of 2009). Finally, external activity also reflected a significant change of trend in the first six months of 2010, with substantial increases in both exports (32.3%) and imports (44.3%), in marked contrast to the same half of 2009 (-23.8% and -38.8% respectively).

A sectoral analysis (see Table 2.A) shows that the recovery in productive activity extended to all sectors of activity, with the sole exception of information and communication. This sector recorded a fall in GVA of 4.6% during the first half of 2010, when telecommunications firms were operating against a background of fierce competition and a margin squeeze. In relation to the other sectors, the recovery in industry stands out, with a strong increase in GVA (26.4%), following the sharp fall recorded in 2009 (-35.8%) (see Box 1). The wholesale and retail trade and hotels and restaurants sector also posted notable growth in GVA in the first six months of 2010 (8.5%), a rate that, as in the other sectors, contrasts with the negative performance of a year earlier (-10.2%). The growth in this sector is mainly explained by the positive developments in private consumption during the period analysed, which may have been boosted by the bringing forward of spending decisions that, according to other sources and indicators, occurred in the first half of 2010, given the imminent rise in VAT. At the same time the GVA of the energy sector increased by 11.7% during the first half of 2010, as compared with a fall of 14.1% in the same period of 2009, thanks to the positive performance of the manufacture of refined petroleum products and electricity, gas and water supply. In the case of refined petroleum products, the increase in GVA was 21.5% and was related to the increases in output and in the prices of refined products, which rose by somewhat more than 36% in the period analysed, enabling the growth in costs as a result of the higher crude oil prices, with respect to those existing in 2009, to be absorbed (see Chart 2). Electricity, gas and water supply posted an increase in GVA of 10.6% (as against a fall of 5.4% in the first half of 2009), primarily as a result of the increase in the demand for electricity (which, according to Red Eléctrica, grew by 3.6% in the first half of 2010) and the lower costs of electricity producers, who, thanks to the higher rainfall in 2010, were able to make greater use of hydroelectric power stations than other sources of electricity generation (especially coal). Finally, the aggregate that includes all other activities also posted a positive performance in the first half of 2010, with an increase in GVA of 4.1%, as against a contraction of 7.8% in the same period of 2009.

Finally, Chart 3 shows how the sample firms, irrespective of their size, are distributed by rate of change of GVA. The main development to be observed is the notable decline in the first half of 2010 in the percentage of firms whose GVA fell by more than 20%: while in 2009 38.5% of the firms were in this segment, in 2010 only 20.7% were. In contrast, the percentage of firms posting increases in GVA rose substantially, both in the segment of growth of less than 20%, which included a further 8% of the firms in 2010, and in that of higher increases, which contains 26.3% of the sample firms, ten percentage points more than in 2009. All this goes to confirm that the recovery in activity in the first half of 2010 extended to a majority of the firms and that activity was increasing in more firms than a year earlier.

Employment and personnel costs

In the first half of 2010, personnel costs fell by 1.6%, 0.3 percentage points more than in the same period of 2009. This greater containment of personnel costs was a consequence of the growth in wage costs in the first six months of the year (1.1%), which was 0.7 pp less than a year earlier (1.8%), and of the developments in employment, which continued to decline, by

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

TABLE 2.A

Rates of change of the same corporations on the same period a year earlier

	GROSS VALUE ADDED AT FACTOR COST				EMPLOYEES (AVERAGE FOR PERIOD)				PERSONNEL COSTS				PERSONNEL COSTS PER EMPLOYEE			
	CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)		
		09 Q1- Q4	09 Q1- Q2	10 Q1- Q2		2008	09 Q1- Q4	09 Q1- Q2		10 Q1- Q2	2008	09 Q1- Q4		09 Q1- Q2	10 Q1- Q2	2008
Total	-2.8	-8.9	-13.7	6.4	0.8	-3.2	-3.1	-2.7	3.7	-1.5	-1.3	-1.6	2.9	1.8	1.8	1.1
SIZE:																
Small	-8.3	—	—	—	-3.7	—	—	—	2.1	—	—	—	6.1	—	—	—
Medium	-4.1	-14.0	-15.5	4.6	-1.3	-6.2	-5.9	-3.8	3.8	-5.4	-5.0	-2.4	5.2	0.9	1.0	1.4
Large	-2.5	-8.7	-13.7	6.4	1.3	-3.1	-2.9	-2.6	3.8	-1.3	-1.1	-1.6	2.5	1.8	1.8	1.1
BREAKDOWN BY ACTIVITY:																
Energy	3.1	-8.1	-14.1	11.7	3.7	-0.3	0.2	-2.5	6.3	1.1	2.7	-0.4	2.5	1.4	2.5	2.1
Industry	-9.3	-23.0	-35.8	26.4	-1.4	-6.3	-6.3	-3.9	1.7	-6.9	-7.7	-2.0	3.1	-0.6	-1.5	2.0
Wholesale and retail trade and hotels and restaurants	-1.6	-6.8	-10.2	8.5	1.2	-5.7	-5.8	-2.3	3.7	-4.8	-5.4	-1.7	2.4	1.0	0.4	0.7
Information and communication	0.8	-6.6	-7.5	-4.6	1.8	-0.9	-0.2	-2.1	3.5	1.0	1.6	0.1	1.6	1.9	1.8	2.2
Other activities	-2.4	-5.5	-7.8	4.1	1.1	-0.9	-0.6	-2.6	4.7	1.2	2.0	-2.3	3.5	2.2	2.6	0.3

SOURCE: Banco de España.

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

**EMPLOYMENT AND PERSONNEL COSTS
Details based on changes in staff levels**

TABLE 2.B

	TOTAL CBQ CORPORATIONS 2010 Q1 - Q2	CORPORATIONS INCREASING (OR NOT CHANGING) STAFF LEVELS	CORPORATIONS REDUCING STAFF LEVELS
Number of corporations	731	334	397
PERSONNEL COSTS:			
Initial situation 09 Q1-Q2 (€m)	14,631.7	4,799.4	9,832.3
Rate 10 Q1-Q2/09 Q1-Q2	-1.6	1.5	-3.1
AVERAGE COMPENSATION			
Initial situation 09 Q1-Q2 (€m)	22,896.1	25,469.4	21,810.8
Rate 10 Q1-Q2/09 Q1-Q2	1.1	-1.8	2.2
NUMBER OF EMPLOYEES			
Initial situation 09 Q1-Q2 (000s)	639	188	451
Rate 10 Q1-Q2/09 Q1-Q2	-2.7	3.4	-5.2
Permanent			
Initial situation 09 Q1-Q2 (000s)	549	161	387
Rate 10 Q1-Q2/09 Q1-Q2	-1.8	2.6	-3.6
Non-permanent			
Initial situation 09 Q1-Q2 (000s)	91	27	64
Rate 10 Q1-Q2/09 Q1-Q2	-8.1	7.8	-14.9

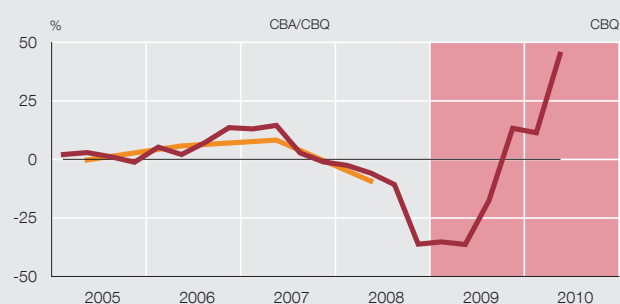
SOURCE: Banco de España.

The CBQ data for the first half of 2010 show a significant improvement in the productive activity of the industrial sector in this period, following the severe contraction of GVA in the first half of 2009 (-35.8%). In the first half of 2010 this surplus grew by 26.4%, as a result of the improvement in capital goods investment and the greater buoyancy of external activity, which was evident in the strong growth in both industrial imports and exports. This positive performance occurred without exception in all the industrial sub-sectors, which saw their rates of change of GVA improve with respect to 2009. However, while in some sub-sectors, such as the manufacture of mineral and metal products and chemicals, strong GVA growth was recorded (90.7% and 43.4%, respectively), in others, such as computer and electronic products, electrical material and equipment, and food drink and tobacco, small contractions in GVA were still being recorded, although, as already mentioned, these represented an improvement on the previous year. Personnel

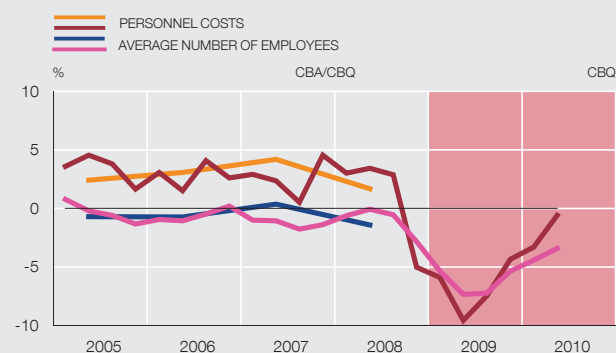
costs fell by 2% in the first two quarters of the year, a much milder fall than a year earlier, when these costs fell by 7.7%. This was attributable to the combined effect of average compensation and employment. First, there was a significant change in personnel costs per employee in 2010: having fallen by 1.5% in 2009, as a consequence of the strong decline in variable compensation in that period, they grew by 2% in the first half of 2010, in line with the wage developments in other sectors of the sample. Second, the employment data, although continuing to decline, with a fall of 3.9% in the first half of 2010, improved somewhat in comparison with the rate of the same period a year earlier, when employment in industrial firms declined by 6.3%. The recovery in activity and the fall in personnel costs led a strong rise in GOP, which reversed (at least in part) the deterioration of the previous two years. In turn, the decline in financial costs, of 9.1% in the first half of 2010, led to a further acceleration in ordinary net profit (ONP) and, consequently,

PERFORMANCE OF THE INDUSTRIAL CORPORATIONS REPORTING TO THE CBSO

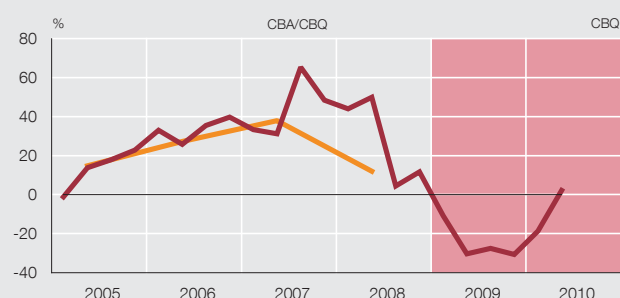
GROSS VALUE ADDED AT FACTOR COST
Rate of change



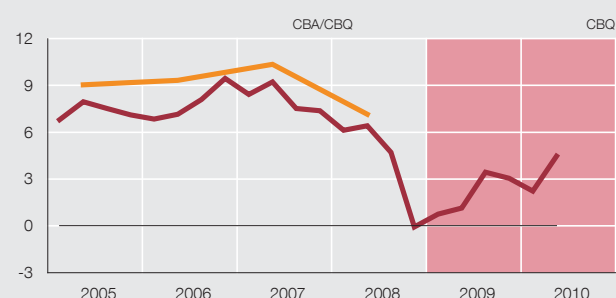
EMPLOYMENT AND WAGES
Rate of change



FINANCIAL COSTS
Rate of change



RETURN ON INVESTMENT
Ratios



REPORTING INDUSTRIAL CORPORATIONS

		2005		2006		2007		2008		2009		2010													
Number of corporations	CBA	2,410		2,397		2,356		2,366		—		—	—												
	CBQ	320	309	302	294	314	299	287	278	308	298	284	279	283	272	258	246	247	243	237	219	218	175	—	—
% of GDP of the sub-sector industrial corporations	CBA	28.2		28.8		29.7		24.1		12		—		—	—	—	—	—	—	—	—	—	—	—	—
	CBQ	19.1	19.6	16.9	17.1	18.4	17.5	16.2	17.4	19.4	19.5	16.6	17.0	16.2	16.2	12.7	9.0	10.7	10.8	11.9	11.1	10.5	11.0	—	—

SOURCE: Banco de España.

a rise in profitability. The ratio that measures the return on investment increased in the first half of 2010 to 3.6%, three times as high as a year earlier (1.2%). Likewise, the return on equity also improved significantly, to reach 3.5% in the first half of 2010, having been negative in the same period of 2009 (-1.3%). As a result of the positive behaviour of the return on investment, the spread between this ratio and the cost of debt, which remained at similar levels to those of 2009 in the industrial sector, showed clear improvement in comparison with its value a year earlier (-2.5), al-

though it remained in negative territory, albeit only just, in the first half of 2010 (-0.1). In short, there was a notable improvement in the productive activity of the industrial firms in the first half of 2010. This, along with the favourable behaviour of personnel and financial costs, enabled these firms to increase their capacity to generate surpluses and their profit ratios. However, this positive performance has still not extended to every industrial sub-sector, nor has it prevented employment in this aggregate from continuing to decline, these being the negative aspects of the recovery scenario discussed.

2.7% in the six months to June 2010, although this was a slight improvement compared to the previous year (-3.1%).

The job losses were highest among temporary employees, whose numbers dropped by 8.1%, although that reduction was less than half the one recorded a year earlier (-16.3%). Conversely, although permanent employment fell less sharply than temporary employment (-1.8%), this performance was more negative than in the first half of 2009, when such employment fell by 0.6%. An analysis by sector (see Table 2.A) shows that the average number of workers declined in all sectors of activity. The largest decline was in industry (-3.9%), although this fall was much smaller than the one recorded a year earlier (-6.3%). The average decline in employment in other sectors was slightly above 2% (-2.5% in energy, -2.3% in wholesale and retail trade and hotels and restaurants, -2.1% in information and communication and -2.6% in other activities) with little variation across them. Finally, the information contained in Table 4 confirms that, although a majority of the sample firms continued to reduce their employment in 2010 (57.8%), this percentage is 3.4 pp lower than a year earlier (61.2%).

Lastly, average compensation grew moderately in the first half (1.1%), continuing the trend of recent quarters. This growth was 0.7 pp less than a year earlier. Although wage growth moderated in all sectors other than industry, the sectors can be divided into two groups. First, there are the energy, industrial and information and communication sectors, which recorded increases in average remuneration of around 2%. And then there are the wholesale and retail trade and hotels and restaurants, and the aggregate of other activities, in which wage costs stabilised, growing at a lower rate than the average for the whole sample, specifically by 0.7% and 0.3% respectively. In the case of the aggregate comprising other activities, the strong fall in average compensation with respect to 2009 (from 2.6% to 0.3%) was affected by the cuts in the second quarter in certain firms in the air transport sector. Finally, the information in Table 2.B enables the growth of remuneration to be analysed on the basis of the distinction between firms that maintained or increased their average workforce levels and firms that shed labour. It shows that the general scenario of wage moderation applied to both groups, although, as usual, the behaviour of those that reduced their average number of workers differed from that of those that did not. In the former wage costs grew by 2.2%, and in the latter they fell by 1.8%.

Profits, rates of return and debt

The recovery in activity, along with the decline in personnel costs, led to a 14% increase in gross operating profit in the first half of 2010, in strong contrast to the deterioration in this surplus in the first half of 2009, when it contracted by 23.1%. At the same time, financial costs continued to fall

PURCHASES AND TURNOVER OF CORPORATIONS REPORTING DATA ON PURCHASING SOURCES AND SALES DESTINATIONS
Structure and rates of change

TABLE 3

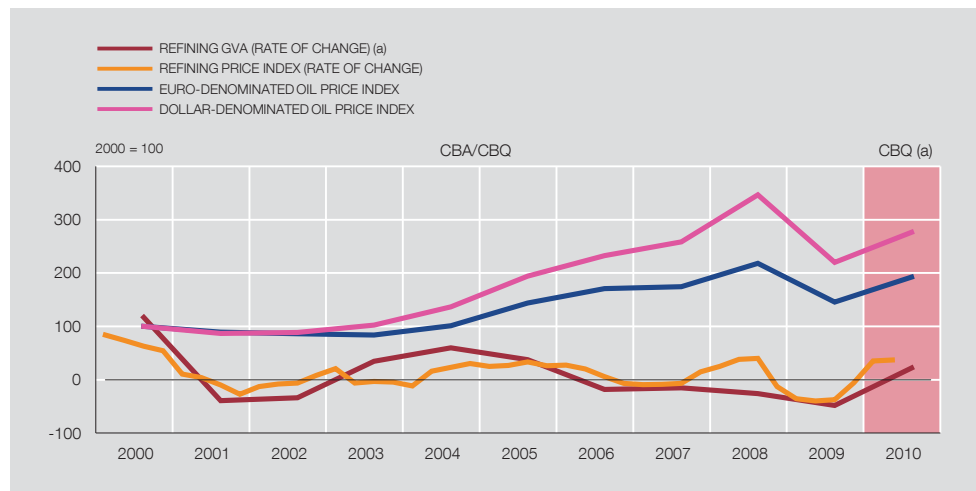
		CBA	CBQ (a)	
		2008	09 Q1-Q2	10 Q1-Q2
Total corporations		9,384	731	731
Corporations reporting source/destination		9,384	690	690
Percentage of net purchases by source	Spain	65.6	85.1	83.5
	Total abroad	34.4	14.9	16.5
	<i>EU countries</i>	17.4	9.9	11.1
	<i>Third countries</i>	17.0	5.0	5.4
Percentage of net purchases by source	Spain	85.0	92.2	90.9
	Total abroad	15.0	7.8	9.1
	<i>EU countries</i>	10.2	5.1	6.3
	<i>Third countries</i>	4.7	2.7	2.9
Rate of change in net external demand (exports less imports)	<i>Industry</i>	-21.9	79.4	-56.7
	<i>Other corporations</i>	-5.3	47.8	42.7

SOURCE: Banco de España.

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

IMPACT OF OIL PRICES ON THE REFINING SECTOR

CHART 2

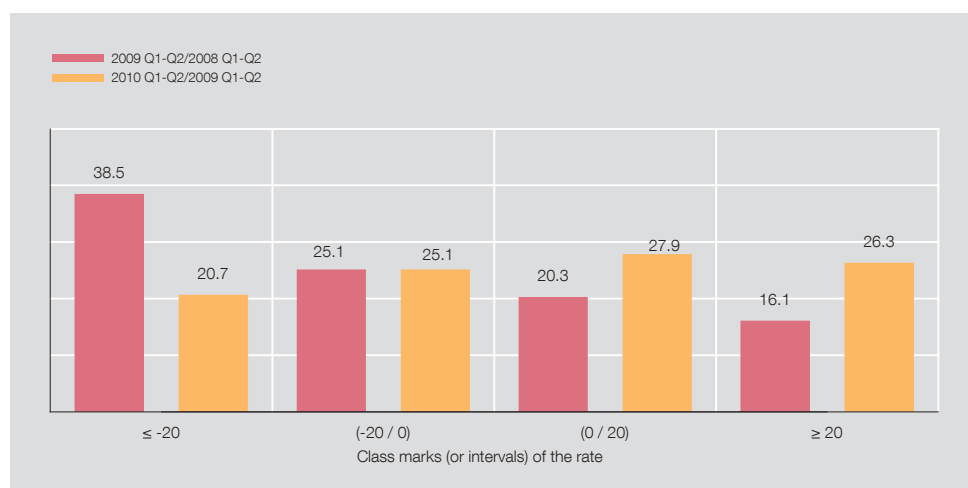


SOURCES: Banco de España and Ministerio de Industria, Turismo y Comercio (Informe mensual de precios).

a. 2009 data relate to the CBQ.

DISTRIBUTION OF CORPORATIONS BY RATE OF CHANGE IN
GVA AT FACTOR COST

CHART 3



SOURCE: Banco de España.

PERSONNEL COSTS AND AVERAGE NUMBER OF EMPLOYEES
Percentage of corporations in specific situations

TABLE 4

	CBA		CBQ (a)			
	2007	2008	08 Q1 - Q4	09 Q1 - Q4	09 Q1 - Q2	10 Q1 - Q2
Number of corporations	9,243	9,384	813	787	813	731
PERSONNEL COSTS	100	100	100	100	100	100
Falling	26.0	32.1	33.4	56.8	56.7	53.7
Constant or rising	74.0	67.9	66.6	43.2	43.3	46.3
AVERAGE NUMBER OF EMPLOYEES	100	100	100	100	100	100
Falling	31.4	42.0	46.2	62.4	61.2	57.8
Constant or rising	68.6	58.0	53.8	37.6	38.8	42.2

SOURCE: Banco de España.

a. Weighted average of the relevant quarters for each column.

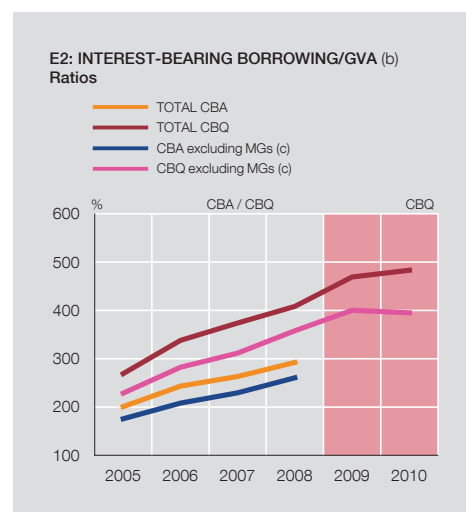
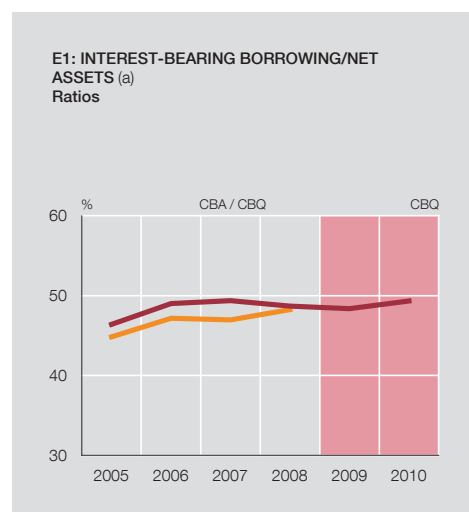
(by -3.8% in the period analysed), although much less strongly than in the previous year, when they fell by 24.9%. This fall has meant that the weight of financial costs in the firms' structure of costs has continued to decline, thereby alleviating their debt burden (see Chart 4). The following table provides information on the main determinants of changes in financial costs:

	<u>10 Q1-Q2/09 Q1-Q2</u>
Change in financial costs	-3.8%
A. <i>Interest on borrowed funds (1 + 2)</i>	-3.7%
1 Due to the cost (interest rate)	-7.7%
2 Due to the amount of interest-bearing debt	4.0%
B. <i>Commissions and cash discounts</i>	-0.1%

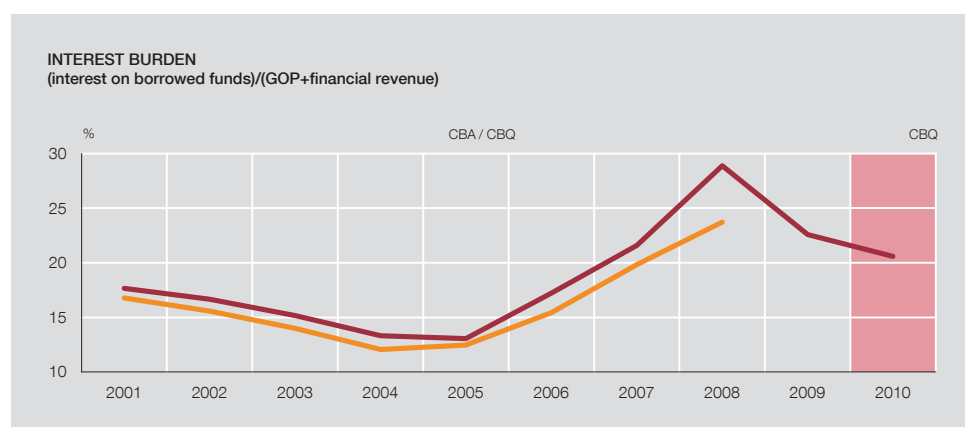
This table confirms that the decline in financial costs was exclusively attributable to the lower interest rates paid by the firms, the effect of which was partially offset by slight growth

DEBT RATIOS

CHART 4



	2005	2006	2007	2008	2009	2010
CBA	200.7	243.5	263.5	292.3		
CBQ	269.4	337.9	373.6	408.6	469.3	483.4
CBA excl. MGs	175.8	208.6	229.2	260.7		
CBQ excl. MGs	228.7	282.8	311.9	357.9	400.5	394.9



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
CBA	16.8	15.6	14.0	12.1	12.5	15.4	19.8	23.7		
CBQ	17.7	16.7	15.2	13.3	13.0	17.2	21.6	28.9	22.6	20.6

SOURCE: Banco de España.

- Ratio calculated from final balance sheet figures. Net assets include an adjustment to current prices.
- Ratio calculated from final balance sheet figures. Interest-bearing borrowing includes an adjustment to eliminate intragroup debt (approximation of consolidated debt).
- MGs are sample corporations belonging to the main reporting multinational groups. These do not include the large construction companies.

**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 5

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

	GROSS OPERATING PROFIT				ORDINARY NET PROFIT				RETURN ON INVESTMENT (R.1)				ROI-COST OF DEBT (R.1-R.2)			
	CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)		
	2008	09 Q1 - Q4	09 Q1 - Q2	10 Q1 - Q2	2008	09 Q1 - Q4	09 Q1 - Q2	10 Q1 - Q2	2008	09 Q1 - Q4	09 Q1 - Q2	10 Q1 - Q2	2008	09 Q1 - Q4	09 Q1 - Q2	10 Q1 - Q2
Total	-10.2	-14.9	-23.1	14.0	-25.3	-6.5	-25.6	9.3	7.4	6.2	5.0	5.3	2.4	2.8	1.5	2.0
SIZE:																
Small	-26.4	—	—	—	-49.4	—	—	—	4.4	—	—	—	0.2	—	—	—
Medium	-15.4	-25.5	-29.4	15.6	-32.3	-38.2	-45.7	26.0	5.9	4.3	3.9	5.5	1.2	0.7	0.1	2.9
Large	-9.3	-14.6	-22.9	14.0	-24.3	-5.5	-25.0	8.9	7.6	6.2	5.1	5.3	2.5	2.9	1.5	2.0
BREAKDOWN BY ACTIVITY:																
Energy	1.6	-10.7	-18.2	15.5	-3.9	-1.5	-13.0	-4.3	7.9	7.1	6.1	5.7	2.9	3.7	2.5	2.3
Industry	-22.4	-48.9	-69.7	(b)	-33.1	-54.6	-95.5	(b)	7.2	2.6	1.2	3.6	2.0	-1.2	-2.5	-0.1
Wholesale and retail trade and hotels and restaurants	-9.6	-10.5	-19.2	31.1	-27.6	-15.3	-37.5	97.2	7.9	4.8	4.0	5.6	2.7	1.4	0.4	2.1
Information and communication	-0.4	-8.6	-10.0	-6.3	5.8	-15.8	-15.7	-8.3	21.9	28.2	28.5	28.5	16.3	23.3	23.5	24.4
other activities	-17.6	-19.6	-26.6	20.6	-61.8	(b)	-26.9	6.3	5.8	5.0	3.8	3.9	0.7	1.9	0.4	0.7

SOURCE: Banco de España.

- a. All the data in these columns have been calculated as a weighted average of the quarterly data.
b. Rate not significant or not calculable because the relevant figures are of opposite sign.

in external sources of financing. Following the successive interest rate cuts (which have therefore been passed through to non-financial firms), the ratio that measures the cost of debt stood in the first half of 2010 at 3.3%, down 0.3 pp from its level in the first half of 2009. However, this fall in the cost of debt tended to decelerate during the first six months of 2010, indicating that there is little scope for financial costs to be further reduced through this channel. Debt in the first half was practically unchanged, against a background of slack investment. In fact, the data obtained by the CBQ to approximate business investment show a decline of 6.9% in this item in the first six months of 2010, although the quarterly profile of the series shows an improvement in the second quarter of the year. Finally, this analysis may be supplemented by a study of the E1 and E2 ratios (debt and ability to repay) (see Chart 4). The former shows that the level of business debt stabilised, standing at practically the same level in 2010 as a year earlier. Meanwhile, the E2 ratio also remained very stable in the first six months of 2010, ending the upward trend that dates back to 2004 and confirming the beneficial effect on this ratio of the positive growth in GVA (the denominator of the ratio) this year.

Financial revenue also fell in the first half of 2010 (-13.6%), at a similar rate to a year earlier (-12.1%). This decline is explained by the lower dividends received and, above all, by the decline of 23.4% in interest, as a consequence of the cancellation of loans granted to subsidiaries by large Spanish groups and of the reduction in interest rates mentioned above. The larger decline in financial revenue than in financial costs together with the growth in depreciation and provisions (+8%) led to a slight reduction in the growth of ONP, relative to that of GOP, its rate of change in the first half of 2010 being 9.3%. Even so, this growth in ordinary net profit was a big improvement on 2009, when it fell by 25.6%. At the sector level, as in the case of GVA and GOP, ONP grew in all sectors in the period to June 2010 (see Table 5), ex-

		CBQ (a)			
		RETURN ON INVESTMENT (R.1)		ORDINARY RETURN ON EQUITY (R.3)	
		09 Q1-Q2	10 Q1-Q2	09 Q1-Q2	10 Q1-Q2
Number of corporations		813	731	813	731
Percentage of corporations by profitability bracket	R <= 0%	34.1	29.6	39.0	33.7
	0% < R <= 5%	24.4	26.3	17.3	19.1
	5% < R <= 10%	15.7	15.3	11.7	11.4
	10% < R <= 15%	6.1	6.4	5.7	7.7
	15% < R	19.7	22.5	26.3	28.1
MEMORANDUM ITEM: Average return		5.0	5.3	6.4	7.0

SOURCE: Banco de España.

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

cept in the information and communication and energy sectors, which recorded declines of 8.3% and 4.3%, although in both cases these rates represent an improvement on the figures recorded a year earlier. The combined performance of ONP and financial costs (the numerator of the ordinary profit ratios) has enabled the firms to post slightly higher levels of profitability than in 2009. The ratio that measures the return on investment (R.1) stood at 5.3% in the first half of 2010, 0.3 pp higher than a year earlier, while the return on equity (R.3) rose to 7%, from 6.4% in 2009. The increase in profitability, along with the decline in the cost of debt (R.2), allowed the difference between these two ratios to continue to widen. It stood at 2 in the first half of 2010, half a percentage point more than in the same period of 2009. This improvement in the difference between the return on investment and the cost of debt occurred in all the sectors analysed. Moreover, they all recorded positive differentials, except industry, the only sector of activity whose differential, although slightly negative (-0.1), was significantly better than in the first half of 2009 (-2.5%).

Finally, an analysis of extraordinary costs and revenue shows a significant decline in extraordinary revenue in the year to date, since the significant capital gains generated by the disposals of fixed assets and shares in 2009 have not been repeated. This reduction in revenue was accompanied by an increase in tax due on profits to June 2010 (+40.8%), which is a consequence of the growth in ordinary profit following its fall in the previous year, as mentioned above, and of the fiscal effect associated with the existence in 2009 of certain extraordinary tax-exempt operations. All this led to a slight fall in net profit (-2.6%), and also in net profit as a percentage of GVA (to 36.9%, from 40.2% in the first half of 2009). That said, the level of profits obtained by the aggregate of firms that make up the CBQ sample remained high relative to GVA.

17.9.2010.