

Results of non-financial corporations: summary 2016 year-end data

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Most sectors and companies in the Central Balance Sheet Data Office Quarterly Survey saw an expansion in productive activity and employment in 2016.

Buoyant activity, coupled with favourable trends in financial costs and revenues, enabled companies' ordinary profits to grow rapidly. This meant a further increase in aggregate levels of ordinary profits.

Lastly, companies' financial position continued to strengthen, translating into a drop in indebtedness and debt burden ratios.

RESULTS OF NON-FINANCIAL CORPORATIONS: SUMMARY 2016 YEAR-END DATA

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Overview¹

The information compiled by the Central Balance Sheet Data Office Quarterly Survey (CBQ) shows activity to have continued expanding in 2016. Thus, in this sample of companies, GVA increased, in nominal terms, by 4.1% relative to one year earlier, a rate two percentage points lower than that in 2015. This slowdown is largely explained by the impact of the oil refining sub-sector, which had experienced exceptional GVA growth the previous year. The sector breakdown shows the surplus to have increased across the board.

The expansionary trend in activity enabled employment to remain on an upward path in 2016, increasing by 1.1%. However, this was slightly down on the previous year (1.3%). This slowdown was largely driven by poor performance by a number of large corporations, which account for a large share of the sample.

Ordinary net profit (ONP) continued to grow rapidly, at 23.8%, supported by the expansionary trend in activity and the favourable progress of both financial revenue (resulting from larger dividends received) and the reduction in financial costs, mainly owing to lower interest rates. Together with the recovery in ordinary profit, the performance of non-recurring items had an additional positive impact, which was partially offset by the increase in the corporate income tax expense. Altogether, this resulted in net profit tripling that of the preceding year. Expressed as a percentage of GVA, the surplus rose to 32.2%.

In this context, ordinary profitability ratios continued to recover both in the overall sample and the main sectors. This was also accompanied by a new shift in the distribution of this variable, with a reduction in the percentage of firms with negative returns. The increase in the aggregate return on investment, in conjunction with the reduction in the average cost of debt, led the widening of the spread between the two ratios to continue, reaching 3.3 percentage points (pp), one point more than in the previous year.

Lastly, borrowing by the firms in the sample continued to decrease, although at a slightly more moderate pace, translating into a drop in the debt-to-assets ratio. The debt-to-operating profit ratio and the interest burden ratio (the ratio of financial costs to operating profit) also decreased, driven by the decline in borrowing (in the former case) and financial costs (in the latter case) and by the growth in operating profit, which constitutes the denominator of the two ratios. Thus, the level of financial pressure to which Spanish firms are subject again decreased last year.

Listed consolidated groups also experienced an improvement in their economic and financial situation last year, although the recovery was more moderate compared with that of CBQ firms, such that differences in levels of profitability between the two groups narrowed and CBQ firms' debt burden ratio decreased (see Box 1).

¹ This article was prepared based on information on the 914 companies that had sent their data to the CBQ by 13 March. According to National Accounts data, the sample represents 13.3% of the total non-financial corporate sector in terms of GVA.

Activity

The information compiled by the CBQ shows the expansionary trend in productive activity to have continued in 2016. This led to a 4.1% increase in the GVA of the firms in the sample (see Table 1 and Chart 1), representing slower growth than the previous year (6.2%). However, this slowdown was largely the result of the extraordinary growth in 2015 of this surplus in the oil refining sub-sector, which is part of the Industry sector. The breakdown by size shows that the increase in GVA was again stronger in the medium-sized company segment, where this surplus grew by 5% compared with growth of 4.1% among large corporations (see Table 2). This pattern has been apparent since the recovery began in 2013.

The positive performance of productive activity was achieved in a setting in which sales abroad continued to gain in importance relative to total net turnover, standing at 22.5%, 0.5 pp higher than in the same period in 2015 (see Table 3).

On a more detailed sector-by-sector analysis, most sectors recorded increases in GVA, although the strength of growth varied (see Table 2). In the Energy sector, this item rose by 0.7%, following a drop of 2.8% the previous year. In the Industry sector, it grew by 5.3%, well below the 13.1% increase recorded in 2015. This slowdown, as mentioned earlier, was strongly influenced by the performance of the surplus of the oil refining sub-sector, which grew rapidly in 2016 (16.6%). Among the other industrial sub-sectors, growth in the Manufacture of chemicals and chemical products sector stands out (6.9%), while, by contrast, Manufacture of mineral and metallic products and Other manufacturing, contracted by around 1%. The Wholesale and retail trade and accommodation and food service activities sector continued to benefit from the upturn in consumption, with an increase in GVA of 8.5%, almost 2 pp up from the previous year. The Information and communication sector also showed a positive trend, with an increase in GVA of 2.1%. Lastly, the group aggregating other activities grew by 4%, driven by the strong performance of firms in the Transport and Other service activities sectors.

Chart 2 shows the shift towards slightly higher values at the ends of the distribution (quartiles 25 and 75). The median was almost identical to that in 2015 (3.6% compared to 3.8%), unlike the case of the aggregate GVA data, which reflects a clear slowdown, suggesting it was negatively influenced by the less favourable performance of certain large corporations.

Employment and personnel costs

Personnel costs increased by 1% in 2016 (see Table 2). The growth of this item is mainly a result of the favourable performance of employment, against a background in which average compensation practically stagnated (-0.1%).

The increase of 1.1% in employment in 2016 represented a certain moderation with respect to the growth rate of 1.3% in this sample a year earlier. In line with these developments, Table 4 shows how 44.1% of firms increased their staff numbers in 2016 (compared with 45.3% a year earlier); for the second year running, this percentage of firms exceeded that which destroyed jobs (39.9%).

Analysis by type of contract shows that the recovery in employment continues to be characterised by its greater strength among temporary jobs, which grew by 7.6% (see Table 5). By contrast, in this sample permanent jobs decreased slightly (by 0.3%), due to the staff reductions in some large firms with a high weight in the CBQ.

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

TABLE 1

	CBI structure	CBI		CBQ (a)		
	2015	2014	2015	2014 Q1-Q4 / 2013 Q1-Q4	2015 Q1-Q4 / 2014 Q1-Q4	2016 Q1-Q4 / 2015 Q1-Q4
DATABASES						
Number of corporations		639,084	472,876	888	984	914
Total national coverage		47.7	42.3	13.3	14.1	13.3
PROFIT AND LOSS ACCOUNT						
1 VALUE OF OUTPUT	100.0	2.0	2.1	0.0	-2.0	-2.3
<i>Of which:</i>						
<i>Net amount of turnover and other operating income</i>	148,4	3,5	0,9	1,9	-2,6	-3,7
2 INPUTS (including taxes)	64.5	1.6	-0.3	0.2	-5.4	-5.3
<i>Of which:</i>						
<i>Net purchases</i>	40.9	2,0	-2,5	0,9	-9,2	-4,2
<i>Other operating costs</i>	23.9	1,2	3,8	0,3	4,2	-5,0
S.1 GROSS VALUE ADDED AT FACTOR COST [1 – 2]	35.5	2.9	6.9	-0.4	6.2	4.1
3 Personnel costs	22.9	2.4	3.5	1.0	2.2	1.0
S.2 GROSS OPERATING PROFIT [S.1 – 3]	12.5	3.9	13.6	-1.9	10.8	7.3
4 Financial revenue	3.5	-16.3	-8.6	-28.6	-9.8	16.0
5 Financial costs	3.3	-6.5	-9.0	-8.1	-9.2	-9.4
6 Depreciation and operating provisions	5.8	-6.7	1.2	-3.6	0.2	0.1
S.3 ORDINARY NET PROFIT [S.2 + 4 – 5 – 6]	7.0	8.4	25.4	-17.5	18.4	23.8
7 Gains (losses) from disposals and impairment	-2.1	80.2	–	–	–	–
7' As a percentage of GVA (7 / S.1)		-1.7	-6.0	0.9	-12.1	10.0
8 Changes in fair value and other gains (losses)	-0.4	–	–	39.7	-85.5	29.5
8' As a percentage of GVA (8 / S.1)		0.5	-1.2	-2.8	-4.6	-3.3
9 Corporate income tax	0.7	45.6	18.2	–	–	–
S.4 NET PROFIT [S.3 + 7 + 8 - 9]	3.7	–	-12.4	140.2	-51.6	200.7
S.4' As a percentage of GVA (S.4 / S.1)		12.1	10.6	24.3	11.3	32.2
PROFIT RATIOS						
	Formulas (b)					
R.1 Return on investment (before taxes)	(S.3 + 5.1) / NA	4.4	4.6	5.2	5.3	6.1
R.2 Interest on borrowed funds/ interest-bearing borrowing	5.1 / IBB	3.5	3.2	3.3	3.0	2.7
R.3 Ordinary return on equity (before taxes)	S.3 / E	5.0	5.5	6.8	7.1	8.6
R.4 ROI – cost of debt (R.1 – R.2)	R.1 – R.2	0.9	1.4	1.9	2.3	3.3

SOURCE: : Banco de España.

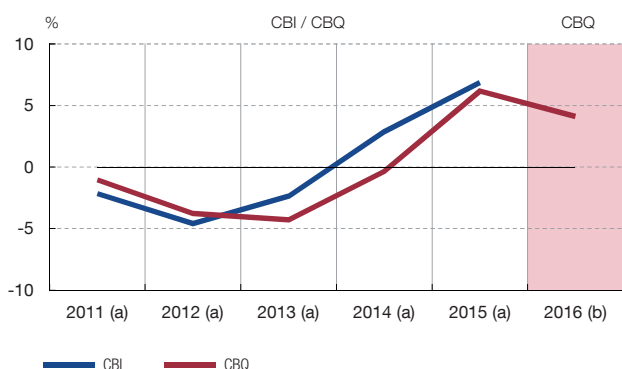
NB: In calculating rates, internal accounting movements have been edited out of items 4, 5, 7 and 8.

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

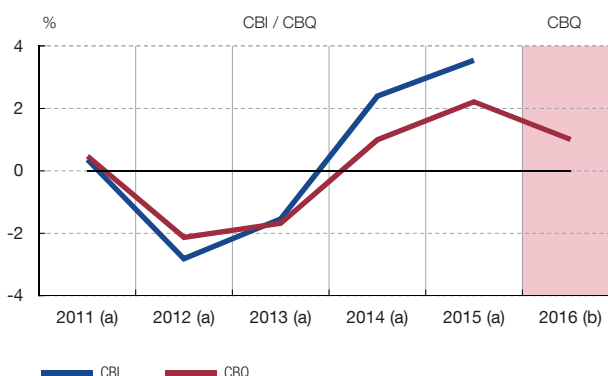
b NA = Net assets (net of non-interest-bearing borrowing); E = Equity; IBB = Interest-bearing borrowing; NA = E + IBB. The financial costs in the numerators of ratios R.1 and R.2 only include the portion of financial costs that is interest on borrowed funds (5.1).

Analysis by activity shows that the favourable performance of employment extended to most sectors, albeit rather unevenly. Thus Energy showed a slight decrease of 0.2%, somewhat more moderate than in the previous year, when it was 0.5%. Employment also contracted in Information and communication, all the more sharply (by 3.4%) because this sector was hit hardest by the major staff reductions mentioned above. Employment grew in the other sectors, including most notably in Industry and in Wholesale and retail trade and accommodation and food service activities, where the rises of 2% in both cases exceeded those of the previous year. Lastly, in the Other

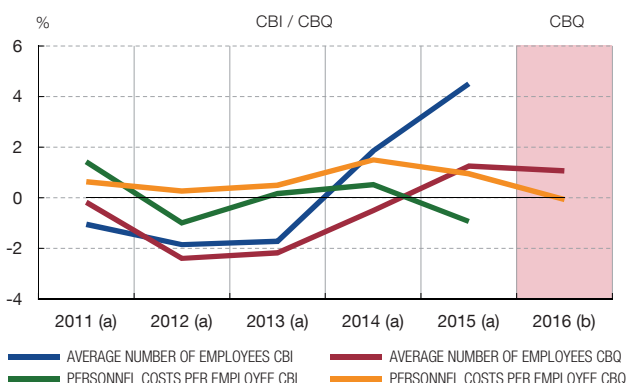
1 GROSS VALUE ADDED AT FACTOR COST
Rate of change



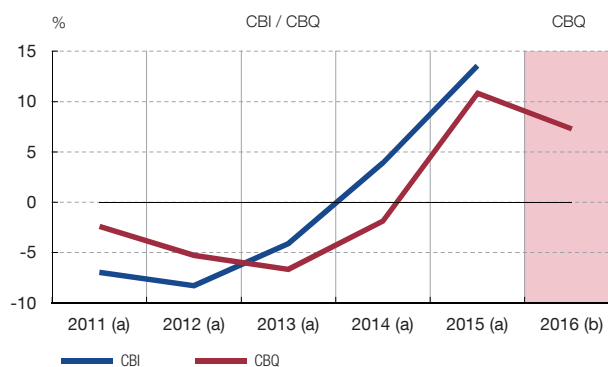
2 PERSONNEL COSTS
Rate of change



3 EMPLOYMENT AND WAGES
Rate of change



4 GROSS OPERATING PROFIT
Rate of change



Reporting non-financial corporations		2011	2012	2013	2014	2015	2016
Number of corporations	CBI	594,687	629,926	627,102	639,084	472,876	—
	CBQ	820	840	842	888	984	914
% of GVA of the sector non-financial corporations	CBI	44.6	47.5	47.5	47.7	42.3	—
	CBQ	12.0	12.2	11.9	13.3	14.1	13.3

SOURCE: Banco de España.

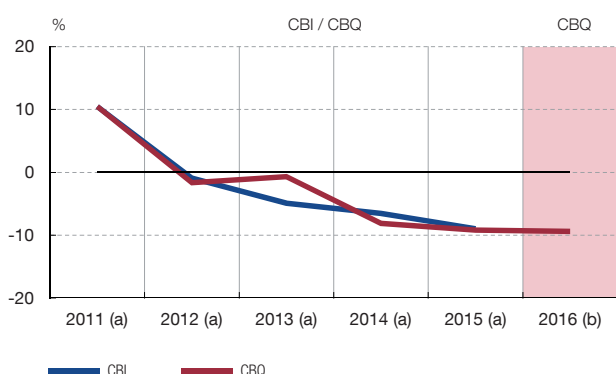
a The 2011, 2012, 2013, 2014 and 2015 data, for the corporations reporting to the CBI, and the average data of the four quarters of each year in relation to the previous year (CBQ).

b Average of the four quarters of 2016 relative to the same period in 2015.

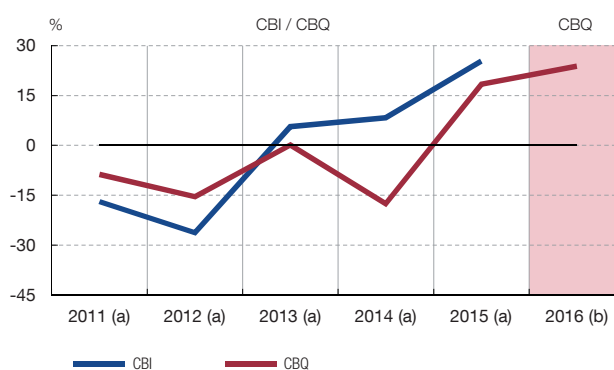
activities aggregate the average number of workers also increased, albeit more moderately, by 1.2%.

The average change in average compensation in 2016 was practically zero. However, this aggregate figure is the result of somewhat heterogeneous sectoral changes. Thus, while Energy and Other activities showed slight decreases, Information and communication recorded an increase of 3.8% in average wages, due largely to the rise in variable compensation at some large firms in this sector.

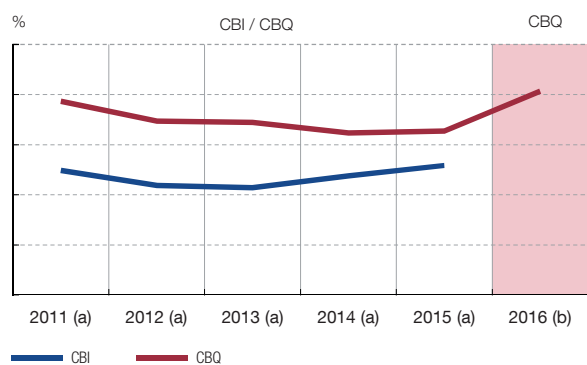
5 FINANCIAL COSTS
Rate of change



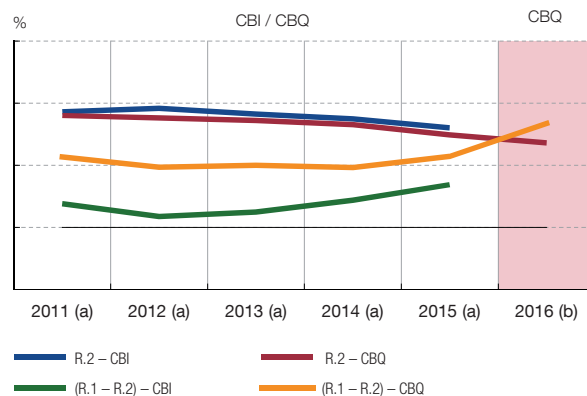
6 ORDINARY NET PROFIT
Rate of change



7 RETURN ON INVESTMENT (R.1)
Ratios



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



Reporting non-financial corporations		2011	2012	2013	2014	2015	2016
Number of corporations	CBI	594,687	629,926	627,102	639,084	472,876	—
	CBQ	820	840	842	888	984	914
% of GVA of the sector non-financial corporations	CBI	44.6	47.5	47.5	47.7	42.3	—
	CBQ	12.0	12.2	11.9	13.3	14.1	13.3

SOURCE: Banco de España.

- a The 2011, 2012, 2013, 2014 and 2015 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 The average of the four quarters of 2016. The rates are calculated relative to the same period in 2015.

Profit, rates of return and debt

In line with the expansionary pattern of productive activity, gross operating profit (GOP) also grew in 2016, by 7.3%, compared with the 10.8% increase of the previous year. As in the case of GVA, the deceleration of this surplus in the past year was influenced by the exceptional behaviour of the oil refining sub-sector in 2015.

The expansion of GOB in 2016 was across all sectors, with growth rates ranging from 1.5% in Energy to 18.7% in Wholesale and retail trade and accommodation and food service activities (see Table 6).

**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				Compensation per employee			
	CBI		CBQ (a)		CBI		CBQ (a)		CBI		CBQ (a)		CBI		CBQ (a)	
	2014	2015	2015 Q1-Q4	2016 Q1-Q4	2014	2015	2015 Q1-Q4	2016 Q1-Q4	2014	2015	2015 Q1-Q4	2016 Q1-Q4	2014	2015	2015 Q1-Q4	2016 Q1-Q4
TOTAL	2.9	6.9	6.2	4.1	1.9	4.5	1.3	1.1	2.4	3.5	2.2	1.0	0.5	-0.9	0.9	-0.1
SIZE																
Small	5.6	8.1	—	—	3.3	6.0	—	—	2.9	4.9	—	—	-0.4	-1.0	—	—
Medium	5.0	6.6	10.7	5.0	2.3	4.5	1.4	4.3	2.9	4.8	3.2	4.1	0.5	0.3	1.8	-0.2
Large	1.6	6.4	6.1	4.1	0.8	3.6	1.2	1.0	2.0	2.7	2.2	1.0	1.3	-0.8	0.9	-0.1
BREAKDOWN BY ACTIVITY																
Energy	-0.1	-0.4	-2.8	0.7	-2.2	0.2	-0.5	-0.2	-0.9	0.3	-0.9	-1.6	1.3	0.1	-0.4	-1.5
Industry	4.7	12.2	31.1	5.3	1.3	3.1	1.2	2.0	1.9	2.6	1.7	2.7	0.6	-0.5	0.4	0.7
Wholesale and retail trade and accommodation & food service activities	2.8	7.7	6.7	8.5	1.8	4.4	1.6	2.0	2.4	4.1	2.7	2.1	0.6	-0.2	1.1	0.1
Information and communications	-3.2	2.4	-1.6	2.1	1.0	5.0	1.6	-3.4	4.4	2.0	3.5	0.2	3.3	-2.8	1.8	3.8
Other activities	4.2	6.0	3.8	4.0	2.5	5.5	1.3	1.2	2.6	4.3	2.7	0.3	0.1	-1.1	1.4	-0.8

SOURCE: Banco de España.

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

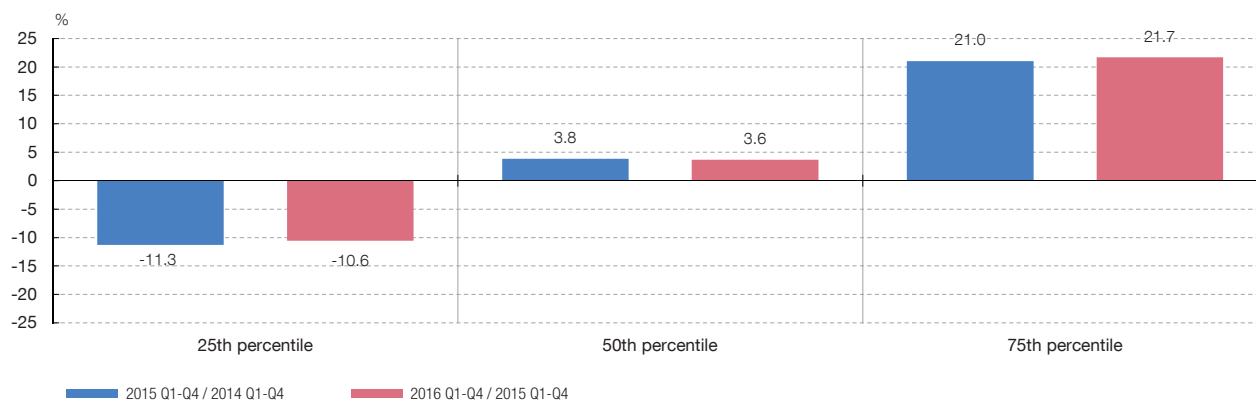
	CBA		CBQ (a)		
	2014	2015	2015 Q1-Q4	2016 Q1-Q4	
Total corporations	8,375	8,375	914	914	
Corporations reporting source/destination	8,375	8,375	855	855	
Percentage of net purchases according to source	Spain	62.9	64.0	71.2	69.4
	Total abroad	37.1	36.0	28.8	30.6
	EU countries	15.6	17.8	21.2	22.2
	Third countries	21.4	18.2	7.7	8.5
Percentage of net turnover according to destination	Spain	77.7	76.6	78.0	77.5
	Total abroad	22.3	23.4	22.0	22.5
	EU countries	13.6	14.9	15.7	16.3
	Third countries	8.7	8.4	6.2	6.2
Change in net external demand (exports less imports), rate of change	Industry	26.2	103.3	0.0	4.9
	Other corporations	-54.1	50.4	3.7	-53.6

SOURCE: Banco de España.

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

DISTRIBUTION OF CORPORATIONS BY RATE OF CHANGE IN GROSS VALUE ADDED

CHART 2



SOURCE: Banco de España.

PERSONNEL COSTS AND EMPLOYEES

TABLE 4

Percentage of corporations in specific situations

	CBI (a)			CBQ (b)		
	2013	2014	2015	2014 Q1 - Q4	2015 Q1 - Q4	2016 Q1 - Q4
Number of corporations	449,802	441,839	327,423	888	984	914
PERSONNEL COSTS	100	100	100	100	100	100
Falling	50.3	41.2	38.9	41.4	35.7	38.3
Constant or rising	49.7	58.8	61.1	58.6	64.3	61.7
AVERAGE NUMBER OF EMPLOYEES	61	100	100	100	100	100
Falling	33.5	22.2	28.6	48.2	39.1	39.9
Constant	39.0	50.3	28.8	14.8	15.6	16.1
Rising	27.5	27.5	42.6	37.0	45.3	44.1

SOURCE: Banco de España.

- a To calculate these percentages, corporations that did not have any staff in 2013 and in 2014 were excluded.
 b Weighted average of the relevant quarters for each column.

EMPLOYMENT

TABLE 5

		Total CBQ corporations Q1 - Q4	Corporations increasing (or not changing) staff levels	Corporations reducing staff levels
Number of corporations		914	561	353
NUMBER OF EMPLOYEES				
Initial situation Q1-Q4 (000s)		892	481	411
Rate Q1-Q4/ Q1-Q4		1.1	6.1	-4.9
Permanent	Initial situation Q1-Q4 (000s)	741	395	346
	Rate Q1-Q4/Q1-Q4	-0.3	3.7	-4.8
Non-permanent	Initial situation Q1-Q4 (000s)	151	87	65
	Rate Q1-Q4/Q1-Q4	7.6	17.3	-5.3

SOURCE: Banco de España.

**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 6

	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)	
	2014	2015	2015 Q1-Q4	2016 Q1- Q4	2014	2015	2015 Q1- Q4	2016 Q1- Q4	2014	2015	2015 Q1- Q4	2016 Q1- Q4	2014	2015	2015 Q1- Q4	2016 Q1- Q4
TOTAL	3.9	13.6	10.8	7.3	8.4	25.4	18.4	23.8	4.4	4.6	5.3	6.1	0.9	1.4	2.3	3.3
SIZE																
Small	16.8	19.5	—	—	120.2	60.2	—	—	2.1	2.7	—	—	-1.2	-0.3	—	—
Medium	11.6	11.7	27.8	6.8	29.4	29.7	46.7	7.7	5.6	6.5	5.8	6.8	1.7	3.2	3.0	5.0
Large	0.8	12.4	10.7	7.3	0.2	20.5	18.3	23.9	5.0	5.1	5.3	6.1	1.5	1.8	2.3	3.3
BREAKDOWN BY ACTIVITY																
Energy	0.2	-0.7	-3.5	1.5	-19.1	3.2	-0.8	3.8	4.2	4.8	4.9	5.7	0.6	1.2	1.7	2.7
Industry	10.8	32.3	104.8	8.4	18.8	47.4	—	18.8	6.0	8.0	8.4	9.8	2.5	4.8	6.0	7.4
Wholesale & retail trade and accommodation & food service activities	3.8	17.5	13.7	18.7	8.2	37.2	23.7	35.1	5.8	7.1	11.9	14.3	1.9	3.7	9.0	11.7
Information and communications	-10.9	2.9	-4.7	3.4	-20.4	1.2	-9.4	17.7	10.3	9.8	16.1	19.1	7.0	6.7	14.0	17.2
Other activities	9.3	11.0	6.1	11.0	73.8	23.3	-0.2	61.0	3.5	3.1	3.7	4.2	0.0	0.0	0.7	1.5

SOURCE: Banco de España.

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

Financial revenue increased by 16%, a figure which contrasts with the decrease of 9.8% in the previous year. The growth recorded in 2016 was driven by the strong rise in dividends received, up by 28.3%, while interest income declined by 15.1%.

Financial costs decreased by 9.4%, basically as a result of the lower average cost of debt (see Table 7). The behaviour of interest-bearing debt also contributed to the fall in these costs, although it had a more limited impact (0.9 pp).

The favourable performance of financial revenue and costs meant that ONP growth, at 23.8% compared with 18.4% in the previous year, outstripped that of GOP. Also, extraordinary costs and revenue had a favourable impact on net profit, basically due to the lower financial asset impairment expense, which in 2015 had been very high. An additional positive influence was also exerted by some significant gains on the sale of shares in 2016 and by the recording of income from the reversal of impairment associated also with financial assets. This positive impact was partly offset by the growth of corporate income tax expense, linked both to the extraordinary decrease in the previous year (when high income from tax credits available for offset was recorded in this item) and to the higher expense in 2016 resulting largely from legislative changes limiting the application of certain deductions and of tax loss carry forwards. As a result of all this, net profit tripled. Expressed as a percentage of GVA, this surplus stood at 32.2%, well above the 11.3% recorded in 2015.

The higher ordinary profits meant that the ordinary profit ratios continued to increase in 2016. Thus the return on investment stood at 6.1% (compared with 5.3% in the previous

FINANCIAL COSTS

TABLE 7

Percentages

	CBI	CBQ	
	2015/2014	2015 Q1-Q4/ 2014 Q1-Q4	2016 Q1-Q4/ 2015 Q1-Q4
Change in financial costs	-9.0	-9.2	-9.4
A Interest on borrowed funds	-8.9	-9.8	-8.0
1 Due to the cost (interest rate)	-8.3	-9.4	-7.1
2 Due to the amount of interest-bearing debt	-0.6	-0.4	-0.9
B Other financial costs	-0.1	0.6	-1.4

SOURCE: Banco de España.

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)	
		2015 Q1-Q4	2016 Q1-Q4	2015 Q1-Q4	2016 Q1-Q4
Number of corporations		984	914	984	914
Percentage of corporations by profitability bracket	R <= 0%	25.5	23.8	29.7	28.0
	0% < R <= 5%	24.2	24.6	15.9	15.8
	5% < R <= 10%	15.5	14.9	11.2	11.7
	10% < R <= 15%	8.9	9.3	8.3	8.8
	15% < R	26.0	27.4	34.9	35.6
MEMORANDUM ITEM: Average return		5.1	5.5	6.8	7.7

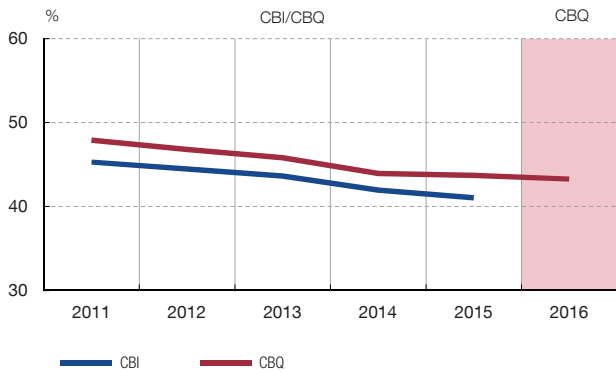
SOURCE: Banco de España.

year) and the return on equity rose by 1.5 pp to 8.6%. The improvement in corporate returns in 2016 is also apparent from the data in Table 8, which shows the distribution of firms by profitability bracket. This information reflects a decrease in the percentage of firms posting negative returns in 2016 and a shift towards the higher-profitability segments (above 10%).

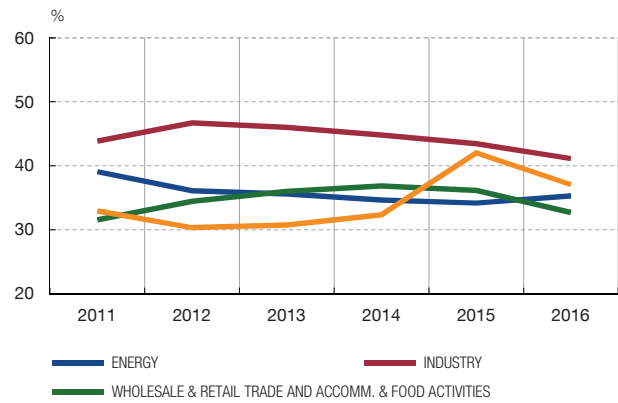
The breakdown by sector of activity also evidences a favourable performance, with all sectors posting rates of return above those of 2015 (see Table 6). Particularly notable are the increases in Industry, Wholesale and retail trade and accommodation and food service activities, and Information and communication, where the rates of return increased by between 1.5 pp and 3 pp with respect to the previous year.

Meanwhile, the average cost of debt decreased by 0.3 pp to 2.7% in 2016. The upward trend in the return on investment, together with the lower cost of debt, meant that the difference between these two ratios continued to widen, standing at 3.3 pp in 2016, 1 pp more than in the previous year. The improvement was also across all sectors, the most notable increases being those in Industry, Wholesale and retail trade and accommodation & food service activities, and Information and communication, where this difference widened to 7.4 pp 11.7 pp and 17.2 pp, respectively.

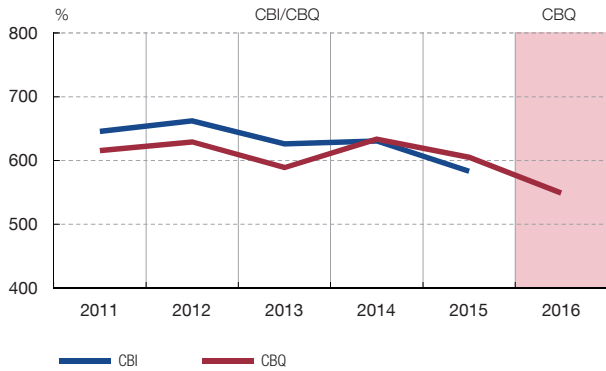
1 E1. INTEREST-BEARING BORROWING / NET ASSETS (a)
TOTAL CORPORATIONS



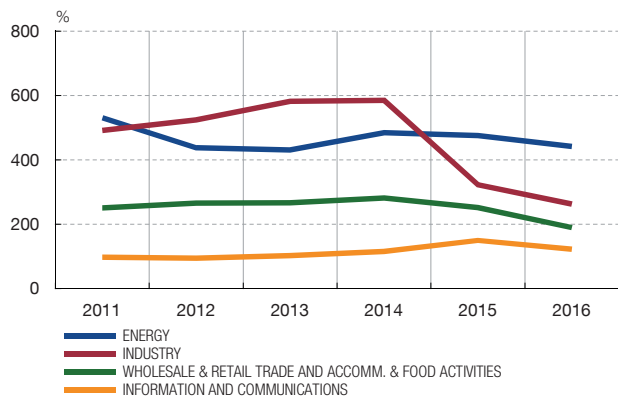
2 E1. INTEREST-BEARING BORROWING / NET ASSETS (a)
BREAKDOWN BY SECTOR. CBQ
Ratios



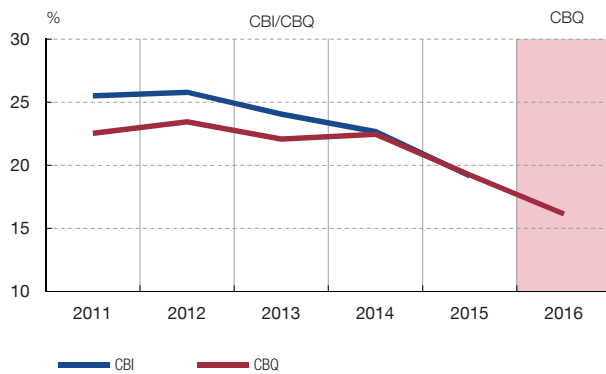
3 E2. INTEREST-BEARING BORROWING / (GOP + FR) (b)
TOTAL CORPORATIONS
Ratios



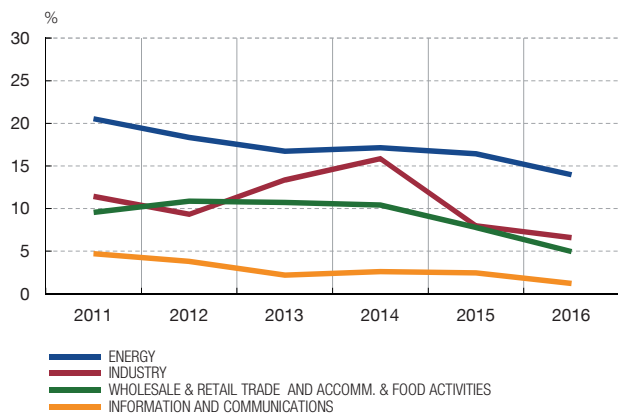
4 E2. INTEREST-BEARING BORROWING / (GOP + FR) (b)
BREAKDOWN BY SECTOR. CBQ



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



6 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).

Lastly, the E1 debt ratio (calculated as interest-bearing debt as a proportion of net assets) decreased further in 2016, continuing the trend of recent years, although it did so somewhat more moderately. Thus this indicator decreased by 0.4 pp to 43.3% (see Table 3). This same behaviour was observed in all the sectors analysed except Energy, in which this ratio rose slightly. Both the E2 ratio (defined as the ratio of interest-bearing debt to the sum of GOP and financial revenue) and the interest burden ratio fell, since in addition to the declines in debt and in financial costs there was an increase in the surpluses which constitute the denominator of these ratios. In both cases, the breakdown by sector shows an across-the-board decline. On the whole, the performance of the three indicators reveals that the financial pressure borne by firms continued to decrease in the past year.

22.03.2017.

The CBSO's Quarterly and Integrated surveys (CBQ and CBI¹) contain information on non-financial corporations which is of great use for approximating national activity in this sector. However, individual accounts, which are the basis for both samples, capture the contribution of activity abroad only indirectly, through the flows (trade and financial alike) between the domestic corporations and their non-resident subsidiaries. Accordingly, it is worth complementing this view by drawing on the consolidated statements, which include all activity conducted in foreign markets and provide knowledge on what the contribution to overall results has been. The consolidated information considers each group as though it were a single firm, and encompasses all activities irrespective of where they have been carried out. Moreover, by eliminating transactions between the firms comprising the group, analysis of this type of business organisation with a highly complex structure is made easier, offering a clearer view of its economic and financial position. This box analyses recent developments (to 2016, the year for which the latest information is available) in all listed Spanish consolidated groups (slightly more than 100)², whose activity accounts for around 20% of the GVA generated by the entire sector of non-financial corporations in Spain.

An initial feature characterising the aggregate analysed is its high and growing international presence. Panel 1 shows how in these groups the weight of revenue from foreign markets has accounted for the main share in the period analysed, progressively rising from 58% in 2011 to close to 64% in 2015 (over 18 pp above the 2007 figure). In 2016, however, there was a break in this trend, against the background of more buoyant national activity, meaning the weight of this latter segment climbed to 37%, 0.7 pp above the 2015 figure.

Furthermore, the year 2016 saw a continuation of the patterns observed in previous years in the structure of these major groups' financial liabilities. Hence, in line with the ongoing deleveraging in which they are immersed, the weight of net worth³ in their sources of financing rose once again, to 46% of total financial liabilities, 0.7 pp up on 2015 and almost 6 pp more than in 2011 (see Panel 2). Likewise, the significance of funds obtained through fixed-income securities issues increased, reflecting the financial disintermediation under way in these large corporations in recent years. This source of funds was second in importance in 2016, representing almost 25% of the total, and almost half of interest-bearing borrowing, 45.6%, 2.5 pp more than in 2015 and 11 pp

above the 2011 figure. The upshot is a greater financial diversification of these conglomerates which, compared with the average for Spanish non-financial corporations, account for a very high proportion of the outstanding balance of financing raised through this channel by the Spanish corporate sector and its resident and non-resident subsidiaries (close to 85%). This greater access to non-bank financing is facilitated by the firms' large size.

The latest profits of the consolidated groups analysed show that the pattern of recovery of ONP observed since 2013 continued in 2016, when this variable grew by 2.5%. This increase was, however, below that of 2015 (4%), and below the figure recorded during the recent recovery phase both by the CBQ (except in 2014, when there was an extraordinary reduction in dividends received that heavily impacted the corporations of this sample), and by the CBI. Accordingly, the external activity component, which exerted a positive impact on the consolidated groups' results during the crisis, as contributed to the more modest increase in recent years, proving conducive to a degree of convergence between the profitability levels of these groups and those observed in the CBQ and CBI samples (see Panel 4). Thus, the return on investment of these large conglomerates stood in 2016 at 7.9%, 0.2 pp up on 2015, though below the levels achieved in the pre-crisis expansionary period (9.6% in 2007). In any event, the profitability of these groups continues to outperform that of the firms in the other two samples, although the differences with respect to these aggregates has progressively narrowed.

As regards the financial position of the groups analysed, it can firstly be seen that their debt/net assets ratio fell once again in 2016 (by 1 pp to 55%), thereby accumulating a decline of 5 pp since 2011. This ratio holds, in any event, above that of the two samples of national firms with which it is compared (CBI and CBQ, see Panel 5). The relative higher debt of the major corporate groups, combined with the small increase in the profits of this aggregate in recent years compared with that recorded in the CBI and the CBQ, has led their debt burden ratio to draw closer to the figures observed in these other two samples. After the related debt burdens converged in 2015, that of the major Spanish conglomerates now stands somewhat above that of the CBQ firms (see Panel 6).

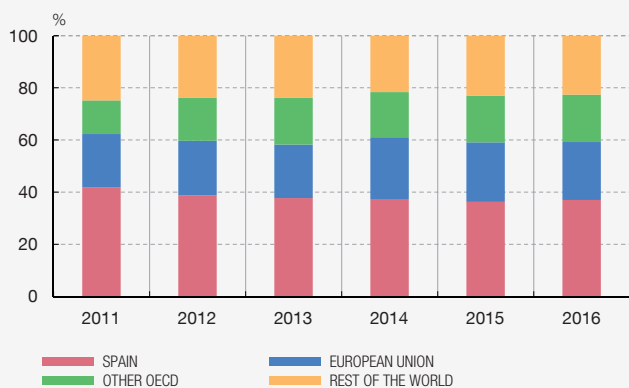
To conclude, the path of recovery of the major corporate groups' activity has extended into 2016 – albeit at a more moderate pace, as has been the case since 2013, than for Spanish non-financial corporations as a whole – and the ongoing correction of their debt has continued. That has contributed to lessening the differences reflected by certain indicators between these groups and the other CBSO samples (CBI and CBQ). In particular, the latest data show profitability levels drawing progressively closer, while the debt burden ratio of the consolidated groups, which increased slightly in 2016, now stands somewhat above that of the CBQ firms.

1 The Integrated Central Balance Sheet Data Office Survey is obtained on the basis of merging the CBA (the CBSO Annual Survey) and the information on company filings with the Spanish mercantile registries. It contains more than 600,000 firms, on average, per year, with a level of representativeness of over 40% of non-financial corporations' total GVA. In the main, they are small firms which pursue their activity almost exclusively in national territory. Information for 2016 is not yet available for this aggregate.

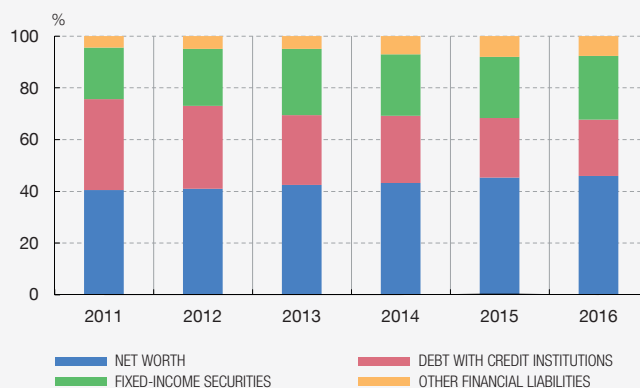
2 As of the cut-off date for this publication, information for 2016 on some corporate groups has not yet been included, due to the fact that such groups – given the cut-off date for their accounts – have not yet sent this information to the CNMV.

3 Net worth is essentially made up of own funds (capital and reserves, mainly), and other smaller-amount items (valuation adjustments, minority interests and subsidies, and non-current deferred revenue).

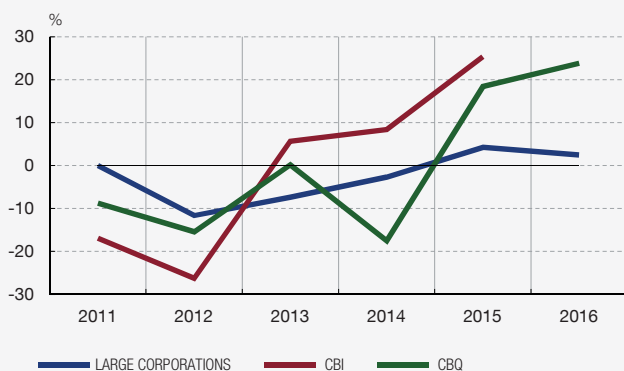
Panel 1
NET TURNOVER. BREAKDOWN BY ULTIMATE DESTINATION



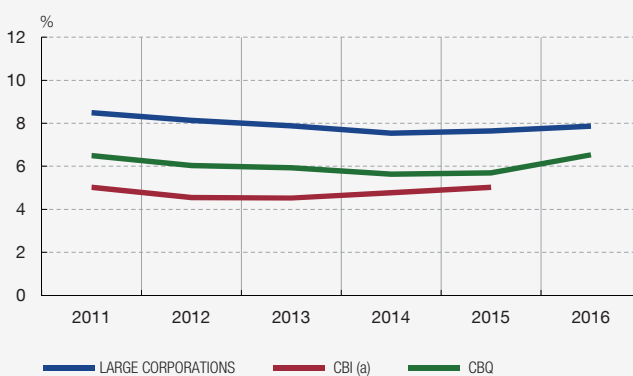
Panel 2
BALANCE SHEET. STRUCTURE OF FINANCIAL LIABILITIES



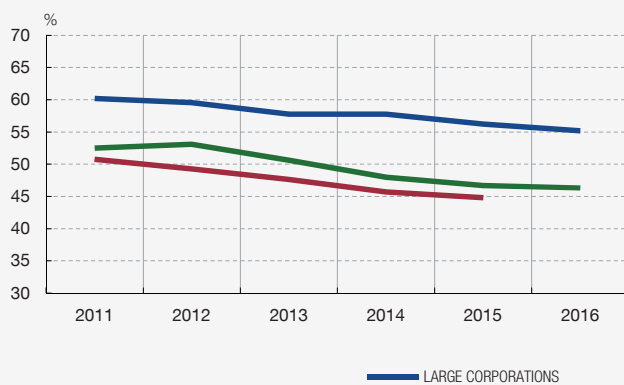
Panel 3
ORDINARY NET PROFIT. RATE OF CHANGE



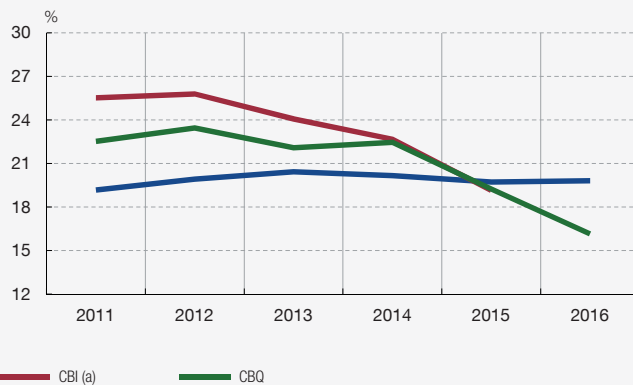
Panel 4
RETURN ON INVESTMENT (book values)



Panel 5
INETEREST-BEARING BORROWING/NET ASSETS (book value)



Panel 6
INTEREST BURDEN



SOURCES: CNMV and Banco de España.

a The figures for 2016 are the result of applying the rate of change of the indicator for a sample of common firms to the figure for the previous year.