

# Results of non-financial corporations in 2017 Q1

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The productive activity of the overall sample of firms reporting to the Central Balance Sheet Data Office Quarterly Survey saw a moderate expansion in 2017 Q1, similar to that recorded a year earlier. This recovery was greatly affected by the poor performance of some larger firms, which account for a large share of the sample, thus dampening the expansionary trend observed in most firms. Employment also continued to grow in the majority of firms. The notable increase in ordinary profits was driven by the favourable progress of financial costs and revenues, leading to a further increase in aggregate levels of ordinary profitability. However, extraordinary costs and revenues had a negative impact in this quarter, as a result of which net profit contracted with respect to the level reached in the same period the preceding year. The box included at the end of this article shows that the improved profitability of recent years can be observed across all the percentiles of the distribution, although it was higher in those reflecting the situation of less profitable firms, and therefore the dispersion of this variable in the sample has gradually been reduced. In addition, in 2017 Q1 these values had already returned to the levels achieved before the crisis.

## RESULTS OF NON-FINANCIAL CORPORATIONS IN 2017 Q1

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### Overview<sup>1</sup>

In 2017 Q1, the gross value added (GVA) of the overall sample of CBQ firms increased, in nominal terms, by 1.1% relative to 2016 Q1, a similar rate to that recorded a year earlier (1.0%). However, the increase in this surplus has been influenced by the unfavourable performance of a number of very large corporations which account for a substantial share of the sample, mostly concentrated in the energy sector. Excluding this sector, GVA grew by 4.6%, well above the 1.8% increase posted by the same aggregate the previous year. The median of the distribution of this variable, which increased by 3.9% (0.3 pp more than in 2016 Q1) also shows a more favourable performance than that reflected by the aggregate figure.

Employment in the sample firms posted year-on-year growth of 1.5% in the first three months of 2017, slightly down on the previous year (1.7%). By type of contract, the strongest growth (8.1%) continued to be in temporary employment, while permanent employment grew very moderately (0.3%).

Ordinary net profit (ONP) rose by 10.9% year-on-year, driven by the favourable progress of both financial revenue (resulting from the larger dividends received) and financial expenses, which were reduced as a result of the lower average cost of borrowing. In contrast, the trend in non-recurring items had a negative impact on net profit, owing mainly to the lower gains on the sale of financial assets. As a result, this surplus contracted by 28.7% compared with the same period a year earlier. Expressed as a percentage of GVA, net profit for the year fell by slightly more than 7 pp to stand at 22.2%.

The higher ordinary profits led to an increase of 0.1 pp in the return on investment to 3.2%, and of half a percentage point in the return on equity to 3.9%, compared with the previous year. There was a clearer expansionary trend in the case of median profitability, which increased more sharply and was accompanied by a new shift in the distribution of this variable towards higher values. The increase in the aggregate return on investment, together with a further fall in the average cost of borrowing, led to a widening of the gap between the two ratios of 0.5 pp, to 0.9%.

Lastly, borrowing by the firms in the sample grew slightly in the first three months of the year, although the debt-to-assets ratio hardly varied. In contrast, the debt-to-operating profit ratio rose slightly, since the increase in the numerator slightly outpaced that of the ordinary surpluses. However, the interest burden ratio, calculated as the ratio of financial costs to operating profit, continued to drop, mainly as a result of the lower interest payments, albeit at a slower pace than in the preceding periods. In any event, the changes in these three indicators were slight, and thus the average degree of financial pressure borne by firms did not vary substantially compared with 2016 year-end.

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<sup>1</sup> This article was prepared based on information on the 865 companies that had sent their data to the CBQ by 13 June. According to National Accounts data, the sample represents 13% of the total non-financial corporate sector in terms of GVA.

From a broader perspective, the box included at the end of this article shows the statistical distribution of a series of economic and financial indicators for the CBS sample from 2008 to 2017 Q1. Analysis of this information shows an improvement across the corporate sector, more marked, on average, in the portion of the distribution comprising firms in a less favourable position.

## Activity

The information compiled by the CBQ shows that, in 2017 Q1, the aggregate GVA of the firms in this sample rose by 1.1%, relative to the same period in 2016 (see Table 1 and Chart 1), a very similar increase to that posted a year earlier (1.0%). However, this development was greatly affected by the negative performance of some large corporations, mostly in the energy sector. Excluding the effect of this sector, GVA growth was substantially higher (4.6%), clearly above the 2016 figure (1.8%). Chart 2, which shows the distribution of firms by the rate of change of GVA, shows a clear improvement in all the percentiles with respect to the previous year, with the median standing at 3.9%, far higher than the average value. Lastly, the breakdown by size reveals that the increase in GVA was stronger in the medium-sized company segment, where this surplus grew by 11.6%, compared with growth of 1% among larger corporations (see Table 2).

The performance of productive activity was achieved in a setting in which both purchases and sales abroad gained in importance. Thus, imports represented 29.3% of the total purchases of the firms in this sample, almost 1 pp up on the previous year (see Table 3). For their part, sales abroad accounted for 21.4% of total net turnover, 0.7 pp higher than in 2016 Q1.

A sector-by-sector analysis reveals a significant degree of heterogeneity, with some sectors, such as industry or all other activities, posting substantial increases in GVA, and others recording decreases (see Table 2). In the industry sector, this surplus rose by 15.8%, with growth in most of the industrial sub-sectors, most notably in oil refining (58.3 %), manufacture of mineral and metallic products (39.4 %) and chemicals (12.1 %). The sector encompassing all other activities grew by 7.7%, driven by the strong performance of firms in the transport and other service activities sectors. In contrast, in the energy sector, GVA decreased by 12.1%, owing mainly to the higher production costs borne by some of the main firms in this sector, against a background of rising commodity prices. Firms in the wholesale and retail trade and accommodation and food service sector, and the information and communication sector also posted falls (albeit more moderate) in this variable of 3.6% and 2%, respectively.

## Employment and personnel costs

Personnel costs increased by 1.7% year-on-year in 2017 Q1 (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 1.5% in aggregate employment in 2017 Q1 was somewhat more moderate than the growth rate of 1.7% observed in this sample a year earlier. However, Table 4 shows how this growth was compatible with the higher percentage of firms (48.4%, compared with 45.9% a year earlier) which increased their staff numbers; again this percentage of firms exceeded that which destroyed jobs (35.6%).

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 8.1% (see Table 5). By contrast, in this sample permanent jobs grew very moderately (by 0.3%), due partly 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**

DATABASES	CBI structure	CBI		CBQ		
	2015	2014	2015	2016 Q1-Q4 / 2015 Q1-Q4 (a)	2016 Q1 / 2015 Q1	2017 Q1 / 2016 Q1
Number of corporations		639,084	529,546	952	1.008	865
Total national coverage		47.7	45.2	13.8	14.2	13.0
<b>PROFIT AND LOSS ACCOUNT</b>						
1 VALUE OF OUTPUT	100.0	2.0	2.4	-2.6	-5.8	10.3
<i>Of which:</i>						
<i>Net amount of turnover and other operating income</i>	148.4	3.5	1.2	-3.9	-7.0	12.2
2 INPUTS (including taxes)	64.3	1.6	0.0	-5.7	-9.0	15.0
<i>Of which:</i>						
<i>Net purchases</i>	40.6	2.0	-2.0	-4.9	-11.4	20.5
<i>Other operating costs</i>	24.0	1.2	3.9	-4.9	-4.9	4.1
S.1 GROSS VALUE ADDED AT FACTOR COST [1 – 2]	35.7	2.9	6.9	4.0	1.0	1.1
3 Personnel costs	23.2	2.4	3.6	0.9	2.3	1.7
S.2 GROSS OPERATING PROFIT [S.1 – 3]	12.4	3.9	13.6	7.3	-0.5	0.5
4 Financial revenue	3.4	-16.3	-9.2	16.5	-20.6	22.9
5 Financial costs	3.2	-6.5	-9.0	-9.4	-10.1	-11.6
6 Depreciation and operating provisions	5.8	-6.7	1.3	-0.2	0.4	2.7
S.3 ORDINARY NET PROFIT [S.2 + 4 – 5 – 6]	6.9	8.4	25.4	24.7	-4.4	10.9
7 Gains (losses) from disposals and impairment	-2.0	80.2	–	–	2.5	-86.8
7' As a percentage of GVA (7 / S.1)		-1.7	-5.6	12.9	11.3	1.6
8 Changes in fair value and other gains (losses)	-0.4	–	–	28.5	–	-59.7
8' As a percentage of GVA (8 / S.1)		0.5	-1.1	-3.1	-0.8	-2.4
9 Corporate income tax	0.8	45.6	18.2	–	-52.8	1.8
S.4 NET PROFIT [S.3 + 7 + 8 - 9]	3.8	–	-9.2	225.0	4.5	-28.7
S.4' As a percentage of GVA (S.4 / S.1)		12.1	10.5	34.4	29.4	22.2
<b>PROFIT RATIOS</b>						
	Formulas (b)					
R.1 Return on investment (before taxes)	(S 3 + 5.1) / AN	4.4	4.6	6.0	3.1	3.2
R.2 Interest on borrowed funds/ interest-bearing borrowing	5.1 / RAC	3.5	3.2	2.7	2.7	2.3
R.3 Ordinary return on equity (before taxes)	S.3 / PN	5.0	5.5	8.5	3.4	3.9
R.4 ROI – cost of debt (R.1 – R.2)	R.1 – R.2	0.9	1.4	3.3	0.4	0.9

SOURCE: Banco de España.

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

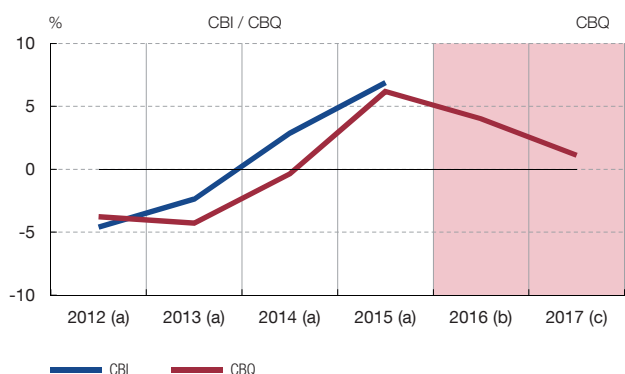
a All the data in these columns have been calculated as the weighted average of the quarterly data.

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).

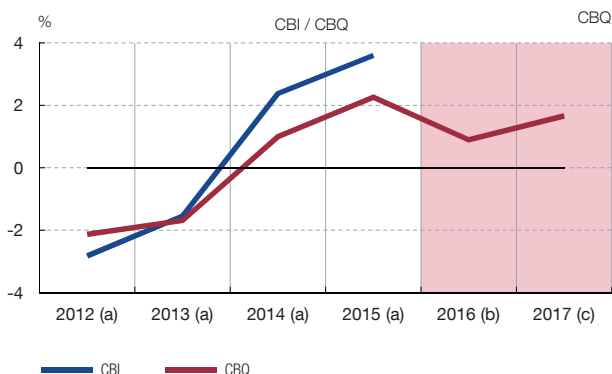
By sector, the performance of employment was rather uneven, although less so than that of GVA. Thus, there were increases in the average number of employees in the industrial sector and in the wholesale and retail trade, accommodation and food services sector of 1.9% and 2.8%, respectively, and of 2.3% in the group that encompasses all other activities. The energy sector showed a slight decrease in the number of staff of 0.6%, while employment fell sharply, by 4%, in the information and communication sector.

The average compensation for the overall CBQ sample hardly varied in 2017 Q1, with a year-on-year rate of 0.1%, 0.5 pp lower than in the previous year. However, this aggregate

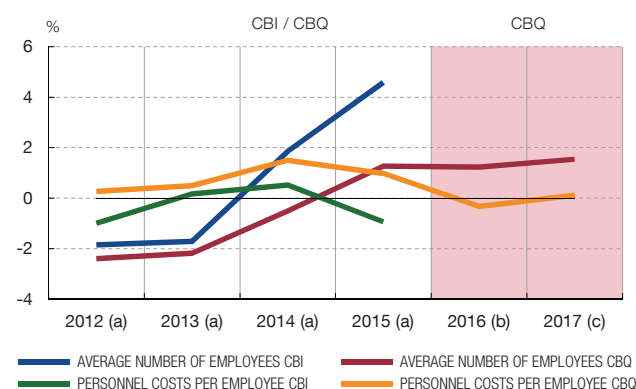
1 GROSS VALUE ADDED AT FACTOR COST  
Rate of change



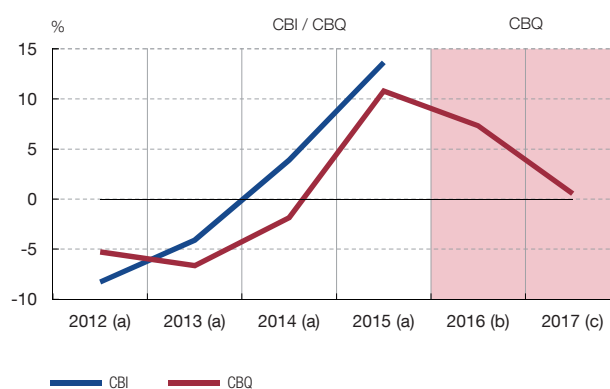
2 PERSONNEL COSTS  
Rate of change



3 EMPLOYMENT AND WAGES  
Rate of change



4 GROSS OPERATING PROFIT  
Rate of change



Reporting non-financial corporations		2012	2013	2014	2015	2016	2017
Number of corporations	CBI	629,926	627,102	639,084	529,546	—	—
	CBQ	840	842	888	984	952	865
% of GVA of the sector non-financial corporations	CBI	47.5	47.5	47.7	45.2	—	—
	CBQ	12.2	11.9	13.3	14.1	13.8	13.0

SOURCE: Banco de España.

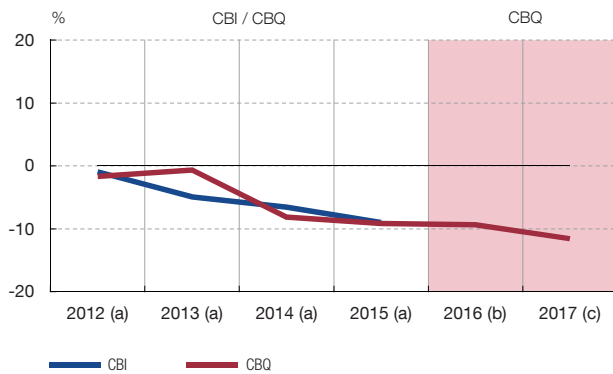
- a The 2012, 2013, 2014 and 2015 data, for the corporations reporting to the CBI, and the average data of the four quarters of each year in relation to the previous year (CBQ).
- b Average of the four quarters of 2016 relative to the same period in 2015.
- c 2017 Q1 data relative to the same period in 2016.

figure is the result of heterogeneous sectoral changes. Thus, while industry, wholesale and retail trade, accommodation and food services and all other activities recorded above-average increases in average wages (1.7%, 1.1% and 0.6%, respectively), those in the energy sector remained practically unchanged and average wages in the information and communication sector fell by 2.1%.

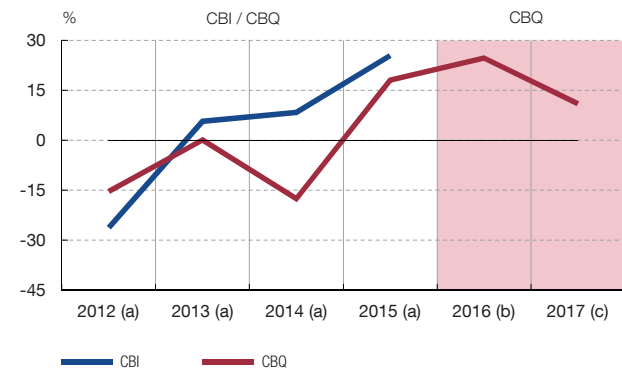
### Profit, rates of return and debt

The changes in GVA and personnel costs led to a slight year-on-year increase of 0.5% in the gross operating profit (GOP) of the aggregate of the CBQ sample in 2017 Q1, compared with the also slight decrease recorded a year earlier. As in the case of GVA, the trend in this surplus in the early months of 2017 was strongly influenced by the negative performance

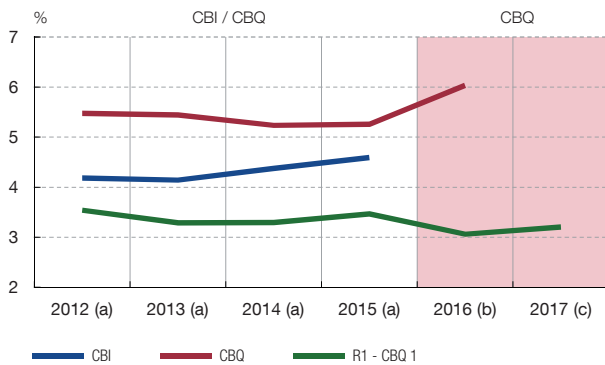
5 FINANCIAL COSTS  
Rate of change



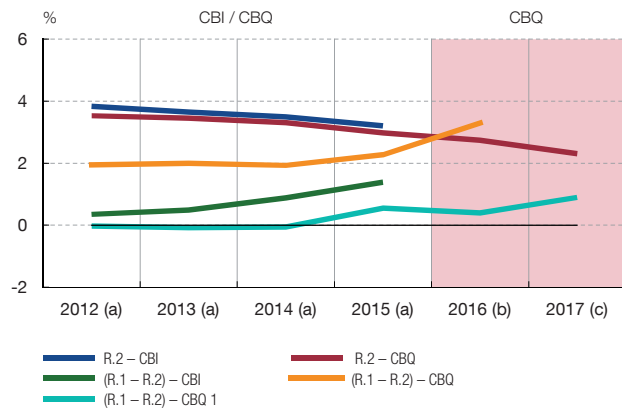
6 ORDINARY NET PROFIT  
Rate of change



7 RETURN ON INVESTMENT (R.1)  
Ratios



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



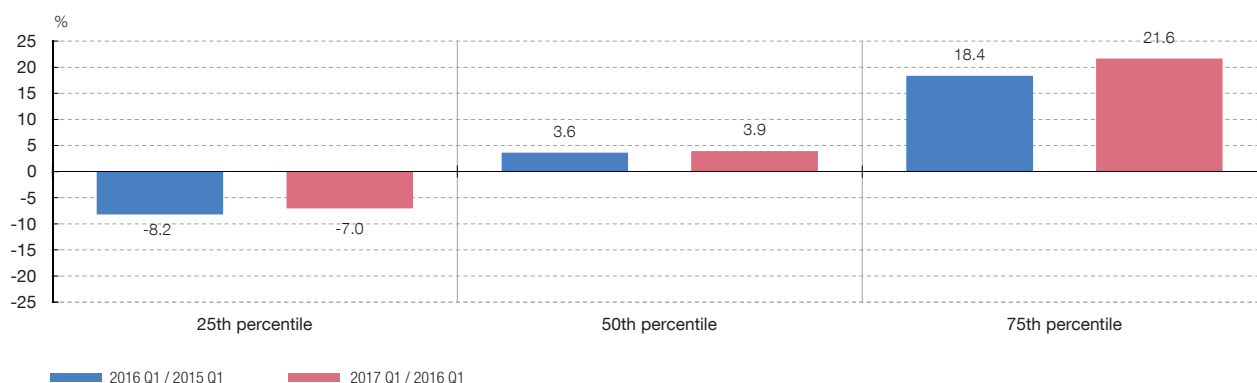
Reporting non-financial corporations		2012	2013	2014	2015	2016	2017
Number of corporations	CBI	629,926	627,102	639,084	529,546	—	—
	CBQ	840	842	888	984	952	865
% of GVA of the sector non-financial corporations	CBI	47.5	47.5	47.7	45.2	—	—
	CBQ	12.2	11.9	13.3	14.1	13.8	13.0

SOURCE: Banco de España.

- a The 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.  
c 2017 Q1 data. The rates are calculated relative to the same period in 2016.

of some large corporations, mostly in the energy sector. Excluding this sector from the sample, GOP would have grown by 8.2%. The breakdown by size reveals that although the GOP of large corporations as a whole rose slightly (by 0.4%), that of medium-sized companies increased by 26.4% (see Table 6).

The breakdown by sector also reveals uneven behaviour, with GOB rising sharply in some sectors, such as industry (32.5%) or all other activities (18.8%), while substantial decreases are recorded in others, such as energy (16.3%) or the wholesale and retail trade and accommodation and food service sector (13.9%).



SOURCE: Banco de España.

**VALUE ADDED, EMPLOYEES, PERSONNEL COSTS AND COMPENSATION PER EMPLOYEE.  
BREAKDOWN BY SIZE AND MAIN ACTIVITY OF CORPORATIONS**  
Growth rate of the same corporations on the same period a year earlier, percentages

TABLE 2

	Gross value added at factor cost				Employees (average for period)				Personnel costs				Compensation per employee			
	CBI		CBQ		CBI		CBQ		CBI		CBQ		CBI		CBQ	
	2015	2016 Q1-Q4 (a)	2016 Q1	2017 Q1	2015	2016 Q1-Q4 (a)	2016 Q1	2017 Q1	2015	2016 Q1-Q4 (a)	2016 Q1	2017 Q1	2015	2016 Q1-Q4 (a)	2016 Q1	2017 Q1
<b>Total</b>	<b>6.9</b>	<b>4.0</b>	<b>1.0</b>	<b>1.1</b>	<b>4.6</b>	<b>1.2</b>	<b>1.7</b>	<b>1.5</b>	<b>3.6</b>	<b>0.9</b>	<b>2.3</b>	<b>1.7</b>	<b>-0.9</b>	<b>-0.3</b>	<b>0.6</b>	<b>0.1</b>
<b>SIZE</b>																
Small	8.1	—	—	—	6.0	—	—	—	4.9	—	—	—	-1.0	—	—	—
Medium	6.5	2.9	2.0	11.6	4.4	3.5	4.2	5.2	4.5	3.4	5.0	6.7	0.1	-0.1	0.8	1.4
Large	6.5	4.0	1.0	1.0	3.7	1.2	1.7	1.5	2.9	0.9	2.3	1.6	-0.8	-0.3	0.6	0.1
<b>BREAKDOWN BY ACTIVITY</b>																
Energy	-0.2	0.5	-2.2	-12.1	0.2	0.0	0.3	-0.6	0.4	-1.6	0.5	-0.6	0.2	-1.6	0.3	0.0
Industry	11.8	5.8	-4.9	15.8	3.3	1.9	2.0	1.9	2.7	2.7	3.6	3.6	-0.6	0.7	1.6	1.7
Wholesale and retail trade and accommodation & food service activities	7.6	7.5	5.2	-3.6	4.5	2.0	2.3	2.8	4.1	2.0	2.8	3.9	-0.3	0.1	0.4	1.1
Information and communications	2.4	2.4	2.6	-2.0	5.1	-3.3	0.7	-4.0	2.2	0.3	3.4	-6.0	-2.8	3.7	2.6	-2.1
Other activities	6.1	4.0	4.0	7.7	5.5	1.6	1.6	2.3	4.4	0.1	1.4	2.8	-1.0	-1.4	-0.2	0.6

SOURCE: Banco de España.

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

Financial revenues in the sample as a whole increased by 22.9% in 2017 Q1, contrasting with the decline of 20.6% in the previous year. The growth recorded in the early months of 2017 was largely driven by the strong rise in dividends received, up by 32.9 %, and to a lesser degree by interest income, which increased by 6%.

Financial costs decreased by 11.6 %, basically as a result of the lower average cost of debt (see Table 7). Interest-bearing debt did not vary with respect to 2016 Q1, and thus its contribution to the fall in financial costs was practically zero.

**PURCHASES AND TURNOVER OF CORPORATIONS REPORTING DATA  
ON PURCHASING SOURCES AND SALES DESTINATIONS**  
Structure and rate of change, percentages

TABLE 3

		CBA		CBQ	
		2015	2016 Q1-Q4 (a)	2016 Q1	2017 Q1
Total corporations		8,991	952	865	865
Corporations reporting source/destination		8,991	890	809	809
Percentage of net purchases according to source	Spain	64.1	68.5	71.6	70.7
	Total abroad	35.9	31.5	28.4	29.3
	EU countries	17.8	23.0	18.8	17.5
	Third countries	18.0	8.5	9.6	11.8
Percentage of net turnover according to destination	Spain	76.9	76.9	79.3	78.6
	Total abroad	23.1	23.1	20.7	21.4
	EU countries	14.7	16.9	14.6	14.7
	Third countries	8.4	6.2	6.0	6.7
Change in net external demand (exports less imports), rate of change	Industry	103.3	3.1	9.2	4.1
	Other corporations	50.4	-51.3	—	-33.2

SOURCE: Banco de España.

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

**PERSONNEL COSTS, EMPLOYEES AND AVERAGE COMPENSATION**  
Percentage of corporations in specific situations

TABLE 4

	CBI (a)		CBQ (b)			
	2014	2015	2015 Q1-Q4 (a)	2016 Q1-Q4 (a)	2016 Q1	2017 Q1
Number of corporations	441,839	365,999	984	952	1,008	865
PERSONNEL COSTS	100	100	100	100	100	100
Falling	41.2	39.0	35.7	38.4	36.2	32.9
Constant or rising	58.8	61.0	64.3	61.6	63.8	67.1
AVERAGE NUMBER OF EMPLOYEES	100	100	100	100	100	100
Falling	22.2	28.7	39.1	38.5	38.5	35.6
Constant	50.3	28.7	15.6	15.1	15.6	16.0
Rising	27.5	42.6	45.3	46.4	45.9	48.4

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.

The favourable performance of financial revenue and costs meant that ordinary net profit (ONP) growth, at 10.9% compared with the decline of 4.4% in the previous year, outstripped that of GOP in 2017 Q1. In contrast, extraordinary costs and revenue had a negative impact on the final surplus, basically due to the lower gains on asset sales recorded in 2017, which in 2016 had been very high. As a result of this, profit for the year was reduced by 28.7%. Expressed as a percentage of GVA, this surplus stood at 22.2%, compared with 29.4% recorded in the same period in 2016 (see Table 1).

The higher ordinary profits meant that the aggregate profitability ratios increased in 2017 Q1. Specifically, the return on investment was 0.1 pp up on the previous year, standing at



## EMPLOYMENT

TABLE 5

	Total CBQ corporations 2017 Q1	Corporations increasing (or not changing staff levels)	Corporations reducing staff levels
Number of corporations	865	557	308
<b>NUMBER OF EMPLOYEES</b>			
Initial situation 2016 Q1 (000s)	869	477	392
Rate 2017 Q1 / 2016 Q1	1.5	7.2	-5.3
Permanent	Initial situation 2016 Q1 (000s)	727	392
	Rate 2017 Q1 / 2016 Q1	0.3	4.9
Non-permanent	Initial situation 2016 Q1 (000s)	141	85
	Rate 2017 Q1 / 2016 Q1	8.1	17.7

SOURCE: Banco de España.

## GROSS OPERATING PROFIT, ORDINARY NET PROFIT, RETURN ON INVESTMENT AND ROI-COST OF DEBT (R.1 – R.2).

TABLE 6

## BREAKDOWN BY SIZE AND MAIN ACTIVITY OF CORPORATIONS

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		CBI		CBQ		CBI		CBQ		CBI		CBQ	
	2015	2016 Q1-Q4 (a)	2016 Q1	2017 Q1	2015	2016 Q1-Q4 (a)	2016 Q1	2017 Q1	2015	2016 Q1-Q4 (a)	2016 Q1	2017 Q1	2015	2016 Q1-Q4 (a)	2016 Q1	2017 Q1
<b>Total</b>	<b>13.6</b>	<b>7.3</b>	<b>-0.5</b>	<b>0.5</b>	<b>25.4</b>	<b>24.7</b>	<b>-4.4</b>	<b>10.9</b>	<b>4.6</b>	<b>6.0</b>	<b>3.1</b>	<b>3.2</b>	<b>1.4</b>	<b>3.3</b>	<b>0.4</b>	<b>0.9</b>
<b>SIZE</b>																
Small	19.6	—	—	—	62.9	—	—	—	2.7	—	—	—	-0.3	—	—	—
Medium	12.0	1.8	-6.0	26.4	29.0	5.5	-3.0	52.2	6.4	7.0	3.7	5.3	3.1	5.1	2.0	3.6
Large	12.4	7.3	-0.4	0.4	20.0	24.8	-4.4	10.8	5.1	6.0	3.1	3.2	1.8	3.3	0.4	0.9
<b>BREAKDOWN BY ACTIVITY</b>																
Energy	-0.5	1.2	-3.2	-16.3	3.2	2.6	2.7	-26.8	4.8	5.6	3.4	2.8	1.2	2.6	0.3	0.0
Industry	31.1	9.5	-15.1	32.5	46.6	21.0	-25.3	54.3	7.9	9.8	6.0	8.2	4.8	7.4	3.7	5.9
Wholesale & retail trade and accommodation & food service activities	17.3	16.2	8.9	-13.9	34.9	32.1	5.9	-6.9	7.0	13.9	9.6	8.3	3.6	11.4	7.2	6.3
Information and communications	2.8	3.8	2.1	0.7	0.9	18.4	3.7	3.5	9.8	19.0	14.7	14.2	6.6	17.2	12.9	12.8
Other activities	11.5	11.7	10.8	18.8	24.8	70.2	-78.9	—	3.1	4.2	1.1	1.3	0.0	1.5	-1.5	-0.8

SOURCE: Banco de España.

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

3.2%, and the return on equity rose by 0.5 pp, to 3.9%. The improvement in corporate returns becomes more evident when observing the data in Table 8, which shows the distribution of the sample firms profitability bracket. This information reflects an increase of slightly more than 1 pp in average profitability, in the case of net assets (to 5.0%), and of more than 1.5 pp in the case of equity (reaching 6.8%). It also reflects a decrease in the percentage of firms posting negative returns in 2017 Q1 and a shift in the distribution of this variable towards higher values. This favourable performance is a prolongation of the

**FINANCIAL COSTS**
**TABLE 7**

Percentages	CBI	CBQ	
	2014 / 2015	2016 Q1-Q4 / 2015 Q1	2017 Q1 / 2016 Q1
Change in financial costs	-9.0	-9.4	-11.6
A Interest on borrowed funds	-9.1	-7.4	-13.0
1 Due to the cost (interest rate)	-8.4	-6.5	-13.0
2 Due to the amount of interest-bearing debt	-0.7	-0.9	0.0
B Other financial costs	0.1	-2.0	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)	
		2016 Q1	2017 Q1	2016 Q1	2017 Q1
Number of corporations		1008	865	1008	865
Percentage of corporations by profitability bracket	R <= 0%	27.5	23.0	31.8	26.8
	0% < R <= 5%	27.4	27.6	17.1	18.5
	5% < R <= 10%	15.0	17.7	13.0	12.9
	10% < R <= 15%	8.5	9.6	8.6	9.7
	15% < R	21.5	22.1	29.4	32.0
MEMORANDUM ITEM: Average return		3.8	4.9	5.1	6.7

SOURCE: Banco de España.

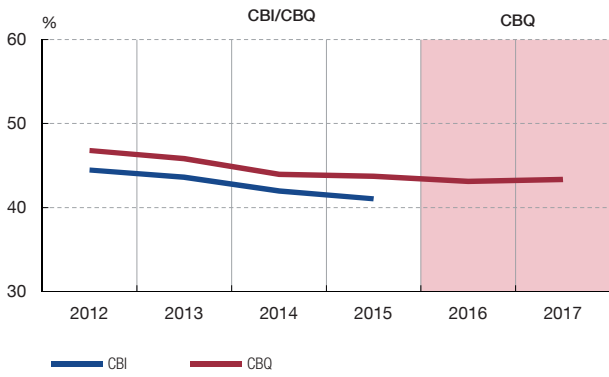
upward trend in profitability since 2013, across all the percentiles of the distribution, but more markedly so in those comprising firms at the lower end of the distribution, which had also posted a more marked decline during the crisis (see Box 1).

The breakdown of the return on investments by sector of activity also evidences a degree of heterogeneity, similar to that mentioned earlier when analysing the GOP and the ONP (see Table 6). Particularly notable are the increases in industry and all other activities, where this indicator rose from 6% to 8.2% in the former and from 1.1% to 1.3% in the case of the latter. In the remaining aggregates, there were decreases of around 0.5 pp in the energy and information and communication sectors, and of slightly more than 1 pp in the wholesale and retail trade and accommodation and food service sector.

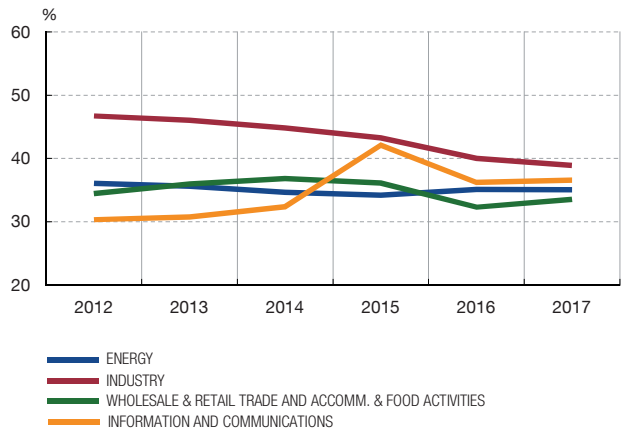
Meanwhile, the average cost of debt decreased by 0.4 pp to 2.3% in 2017 Q1. The slight upward trend in the return on investment, together with the lower cost of debt, meant that the difference between these two ratios continued to widen, standing at 0.9 pp, 0.5 pp more than in the previous year. By sector, this indicator improved in the industrial sector and in the group encompassing all other activities, while it declined in the energy and wholesale and retail trade and accommodation and food service sectors (see Table 6).

Lastly, the E1 debt ratio (calculated as interest-bearing debt as a proportion of net assets) rose by 0.2 pp in 2017 Q1, to stand at 43.3%. The E2 ratio (defined as the ratio

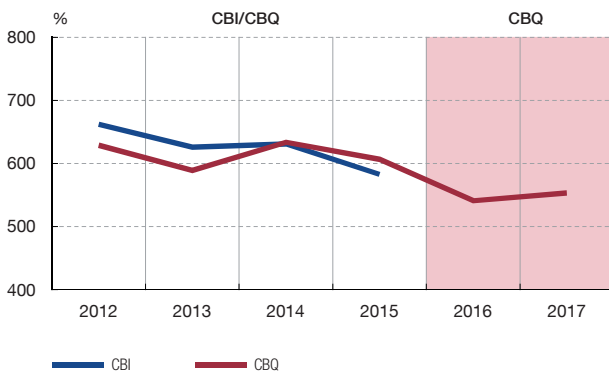
1 E1. INTEREST-BEARING BORROWING / NET ASSETS (a)  
TOTAL CORPORATIONS  
Ratios



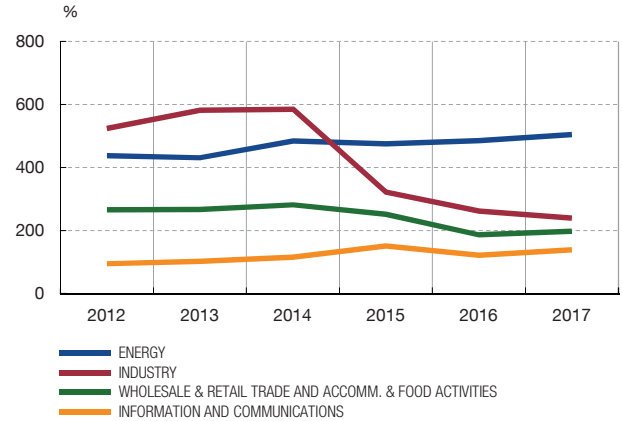
2 E1. INTEREST-BEARING BORROWING / NET ASSETS (a)  
BREAKDOWN BY SECTOR. CBQ  
Ratios



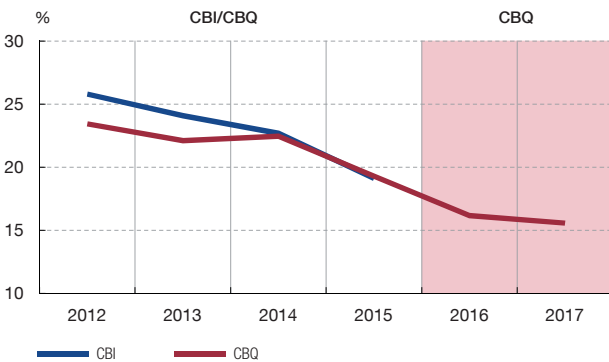
3 E2. INTEREST-BEARING BORROWING / (GOP + FR) (b)  
TOTAL CORPORATIONS  
Ratios



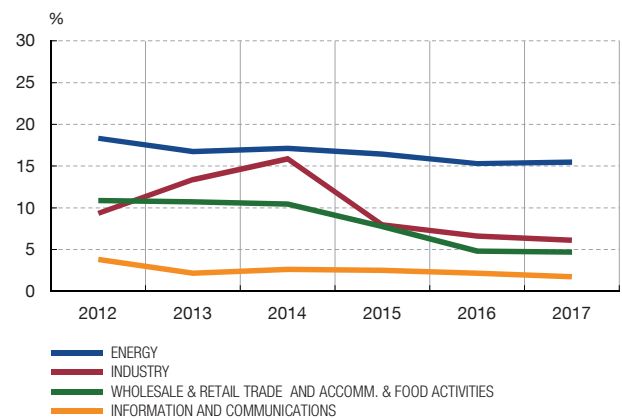
4 E2. INTEREST-BEARING BORROWING / (GOP + FR) (b)  
BREAKDOWN BY SECTOR. CBQ  
Ratios



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 Concept calculated from final balance sheet figures. Interest-bearing borrowing includes an adjustment to eliminate intra-group debt (approximation of consolidated debt).
- c The expenditure and revenue included in these ratios are calculated on the basis of cumulated four-quarter amounts.

of interest-bearing debt to the sum of GOP and financial revenue) also rose slightly, to 553.3% (compared with 541% at 2016 year-end), since the increase in debt exceeded that of ordinary profit. In contrast, the interest burden ratio continued to decline, as a result of lower financial costs, albeit at a slower pace than in previous years, and was reduced by 0.6 pp to 15.6% (see Chart 3). On the whole, the performance of these indicators reveals that the financial pressure borne by firms remained at levels similar to those of the previous year.

22.6.2017.

CBQ data, on the basis of its aggregate indicators, shows that in recent years the profitability of the firms in this sample has gradually recovered and their financial position has improved. This box contains a disaggregated analysis of these indicators, providing an additional perspective to supplement the conclusions based on the aggregate approach, for example, by determining to what extent this improvement has been across the board or revealing the degree of heterogeneity of the sample. To this end, it shows the changes in the different percentiles of the statistical distribution of four economic and financial indicators, from the beginning of 2008 to 2017 Q1.

Chart 1 shows that from 2013 on, the return on equity of CBQ firms gradually increased across all the percentiles of the distribution. However, the rate of growth was not the same in all cases, with a more pronounced recovery at the lower end of the distribution, which had also posted a more marked decline during the crisis. Thus, the 10th percentile of this variable increased by more than 24 pp from mid-2013 to 2017 Q1, while the

corresponding median grew by 5.7 pp in the same period. Thus the dispersion of the values of this variable decreased and, according to the most recent data, 2017 saw the recovery of profitability levels similar to those observed before the crisis in the different percentiles of the distribution.

Charts 2 and 3 show developments in the indebtedness of CBQ firms, both in terms of total assets (E1) and ordinary surplus (E2). In the former case, Chart 2 shows how E1, which had remained fairly stable throughout the period analysed, began to move on a slightly declining course in all the percentiles in 2015, albeit more pronounced in the median and especially in the 75th percentile, suggesting that firms with a higher level of indebtedness had reduced their debt more markedly than other firms. In the latter case, the E2 ratio, which proxies the ability to repay debt with the income generated, was more variable than E1, given the more cyclical behaviour of its denominator (see Chart 3). As a result of the recovery of surpluses and the decline in debt in recent years, this indicator has seen a gradual decrease since 2013, again more pronounced for 25% of the

Chart 1  
RETURN ON EQUITY (a)

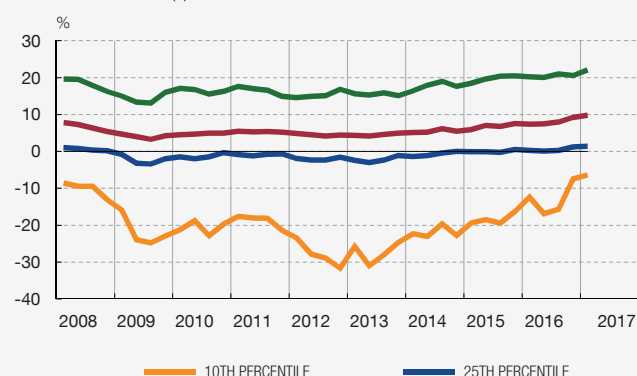


Chart 2  
E1 DEBT RATIO (b)

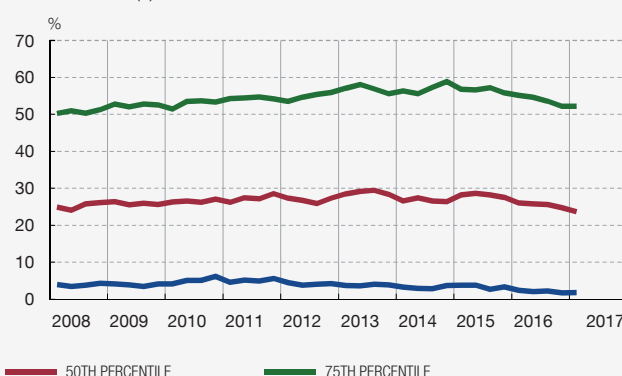


Chart 3  
E2 DEBT RATIO (c)

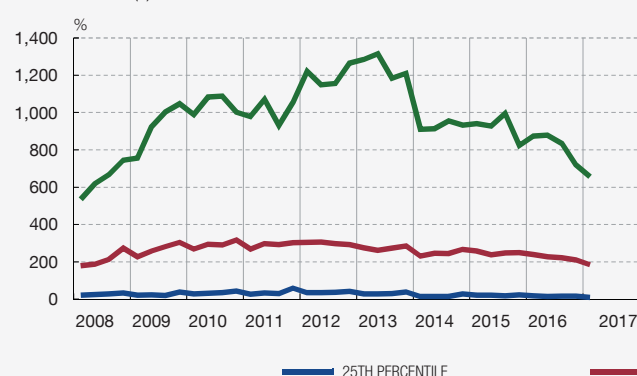
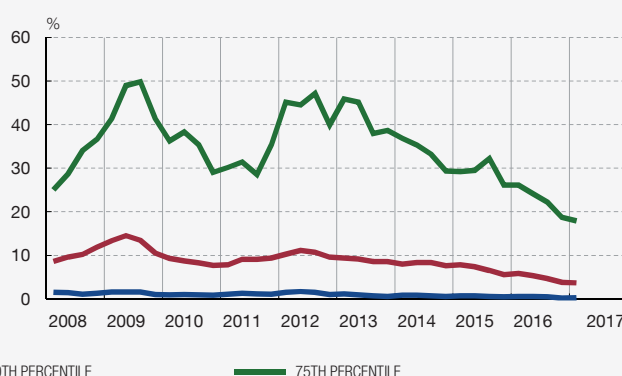


Chart 4  
DEBT BURDEN (d)



SOURCE: Banco de España.

- a Return on equity is calculated as  $ONP / \text{Average equity}$ .
- b E1 debt ratio is calculated as  $\text{Interest-bearing borrowing} / \text{Net asset}$ .
- c E2 debt ratio is calculated as  $\text{Interest-bearing borrowing} / (\text{GOP} + \text{Financial revenue})$ .
- d Debt burden is calculated as  $\text{Interest on borrowed funds} / (\text{GOP} + \text{Financial revenue})$ .

most indebted firms (75th percentile). Nevertheless, in 2017 Q1, this indicator was still slightly above the levels recorded in early 2008.

The improvement in corporate returns and deleveraging have taken place in a context of notably lower interest rates, which has led to a substantial reduction in the interest burden. Chart 4 shows how the declining trend of this indicator since 2013 for the sector as a whole was also widespread across the entire distribution, although sharper in the group of firms with a higher interest burden (more than 28 pp in the 75th percentile compared with 5.7 pp in the median), narrowing the distance between the different percentiles in the sample. These developments have meant that the interest burden borne by firms was even lower in 2017, in all the percentiles, than that recorded in 2008.

By sector, the aforementioned behaviour of these indicators has been reflected in most branches of activity analysed in the CBQ, with a widespread improvement, which is more significant in firms in a comparatively less favourable position within each sector.

In short, the analysis of the CBQ microdata shows that the improvement in the aggregate economic and financial indicators in recent years has been widespread in the corporate sector, affecting most firms and sectors. Moreover, the recovery has been more pronounced in firms which had been in a less favourable position, thus reducing the dispersion of this sample. According to the latest information available, relating to 2017 Q1, these economic and financial indicators were close to, or had already reached, pre-crisis levels.