

# Results of non-financial corporations in 2016 and in the first three quarters of 2017



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According to the CBA and CBQ surveys, non-financial corporations as a whole continued to create employment in 2016 and in the first nine months of 2017, as did most sectors and most of the firms individually. As regards business activity, the main surpluses grew significantly in 2016, resulting in an increase in aggregate ordinary net profit. The favourable behaviour of extraordinary costs and revenues also contributed to the increase in net profit. By contrast, in the first three quarters of 2017, gross value added and ordinary net profit continued to grow, but at more moderate rates than in the previous year, owing to the adverse effects of the behaviour of some large firms with a high weight in the quarterly sample, which led to a slight decrease in aggregate profitability. Also, during the first nine months of this year, non-recurring items had a negative impact, leading to a sharp contraction in net profit. Lastly, average debt ratios continued to decline in 2016, while in the first three quarters of 2017 they rose slightly. Driven by the lower cost of borrowing, the debt burden declined in both periods. The article includes two boxes, the first of which analyses the performance of SMEs relative to larger firms in 2016, and the second the results and financial position of Spanish consolidated groups in 2016.

## RESULTS OF NON-FINANCIAL CORPORATIONS IN 2016 AND IN THE FIRST THREE QUARTERS OF 2017

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### Overview

Based on the sample of the Integrated Central Balance Sheet Data Office (CBI), which comprises both the data submitted by firms responding to the annual survey of the Central Balance Sheet Data Office (CBA) and that obtained from accounts filed with the Mercantile Registries (CBB), this article presents the main results for the economic and financial performance of the non-financial corporations sector in 2016. It also analyses the most recent data, for the period up to September 2017, obtained from the sample of the Central Balance Sheet Data Office's Quarterly Survey (CBQ), which is smaller and has an over-representation of large corporations<sup>1</sup>.

The CBI data confirm the main results already reported by the CBQ for 2016,<sup>2</sup> especially for the large corporation segment. Specifically, the ongoing recovery in firms' productive activity continued last year, the gross value added (GVA) of this sample growing by 4.6% in nominal terms, somewhat below the rate recorded a year earlier (6.9%). The breakdown by size shows that, once again, the growth rate of GVA was higher among smaller firms, as has been the case since the start of the recovery in 2013 (see Box 1).

The CBQ data show that activity continued to grow in the first three quarters of 2017, albeit at a slower pace than in 2016. During this period, the GVA of the sample as a whole grew, in nominal terms, by 0.8% relative to the same period in 2016, as compared with the 2.7% increase recorded a year earlier. However, the aggregate behaviour of this surplus was adversely affected by the poor performance of some very large corporations with a considerable weight in the sample, predominantly in the energy sector, where margins were narrowing in the face of rising costs of production. Excluding this sector, GVA grew by 4.3%, a higher rate than in the same period of the previous year (2.7%). The median of the distribution of this variable (3.7% growth) also indicates a more favourable performance than the aggregate figure.

Employment continued to recover in 2016 (with an increase of 4.1%) and in the first three quarters of 2017, when it grew by 2.2%, well above the rate recorded a year earlier (1.5%). By type of contract, temporary employment continued to grow more strongly in both periods, although permanent employment also increased in each (by 2.8% in 2016 and by 0.9% in the first three quarters of 2017).

Ordinary net profit (ONP) grew at a high rate in 2016 (15.4%), and also rose in the first nine months of 2017, but at a more moderate rate (4.8%). The extent of this slowdown was a result of the performance of certain large firms with a high weight in the sample, as indicated by the more moderate fall in the median growth rate. In 2016, extraordinary costs

<sup>1</sup> This article draws on information on the 379,014 firms comprising the CBI sample for 2016, and on the 884 firms that had submitted data for the first three quarters of 2017 to the CBQ by 22 November. The CBI sample accounts for 35.4% of the GVA of the non-financial corporations sector, while the CBQ sample accounts for 12.8% of the sector's GVA, according to the National Accounts data for these two periods.

<sup>2</sup> See the article "Results of non-financial corporations: summary of 2016 year-end data", <https://www.bde.es/f/webbde/SES/Secciones/Publicaciones/InformesBoletinesRevistas/ArticulosAnaliticos/2017/T1/fich/beaa1701-art9.pdf>.

and revenues contributed to the increase in net profit, of 68.5%, while in the first three quarters of 2017 non-recurring items had a negative impact, leading to a 20.5% decline in net profit. Expressed as a percentage of GVA, this surplus stood at 23.5% in 2017, down 5.5 percentage points (pp) from the same period a year earlier.

The average ordinary net profit ratios rose in 2016, while in the first three quarters of 2017 they fell slightly. At the same time, the average cost of borrowing continued to fall in both periods, which meant that the spread between the aggregate return on investment and this cost continued to increase in 2016, and also, albeit mildly, between January and September 2017, when it stood at 1.9 pp.

As for firms' financial position, the average level of their debt relative to their assets continued to fall in 2016, albeit at a declining rate, while in the first nine months of 2017 it increased slightly. The debt-to-operating profit ratio also rose between January and September, due to the increase in borrowing (numerator) and the slight decline in ordinary profit (denominator) in this period. Finally, the interest burden, calculated as the ratio of interest on borrowed funds to operating profit, continued to decline in both periods, driven by the lower cost of debt. The performance of these three indicators, taken together, shows that the financial pressure borne by firms has continued to decrease somewhat over the last two years.

## Activity

According to the data compiled by the CBI, the GVA of non-financial corporations grew by 4.6% in 2016 (see Table 1 and Chart 1), as compared with the increase of 6.9% in 2015. For the fourth consecutive year, SMEs' GVA growth outperformed that of larger corporations. Specifically, in 2016, the GVA of SMEs rose by 7.8% (8.1% in the case of small firms and 6.8% in that of medium firms; see Table 2 and Box 1), as compared to the 3.4% increase recorded for large corporations.

The CBQ data for the first three quarters of 2017 evidence a continuation of the recovery in business activity, albeit at a slower pace. Specifically, GVA increased by 0.8% in this period, as compared to the 2.7% growth recorded a year earlier in the quarterly sample. However, this slowdown was strongly influenced by the negative performance of some large corporations, mostly in the energy sector. Excluding this sector, the GVA of the rest of the sample grew by 4.3%, exceeding the increase recorded a year earlier for this same aggregate (2.7%).

The developments in productive activity in 2017 took place against a background of more buoyant domestic demand, so that sales and purchases in Spain increased as a proportion of total sales and purchases, to reach 79.1% and 70.3%, respectively, in the first three quarters of 2017. These percentages were a few tenths of a percentage point higher than the CBQ figures for the same period of 2016 (see Table 3).

Turning to a sector-by-sector analysis, most sectors recorded increases in GVA in the two periods under review, with the exception of energy (see Table 2), the GVA of which contracted slightly in 2016 (by 0.3%) and fell by 11.8% in the first nine months of 2017. This decline occurred against a backdrop of a sharp rise in costs of production, which was not passed through to selling prices and therefore led to lower margins. In industry, this surplus rose by 4.7% in 2016 and by 5.4% in the first nine months of 2017. Within this sector some heterogeneity is observed, so that while in some subsectors (like oil refining, manufacture of mineral and metallic products, or chemicals) GVA grew strongly between January and September (20.9%, 9.6% and 8.9%, respectively), significant declines were

**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**

Databases	CBI structure	CBI		CBQ (a)		
	2016	2015	2016	2016 Q1-Q4 / 2015 Q1-Q4	2016 Q1-Q3 / 2015 Q1-Q3	2017 Q1-Q3 / 2016 Q1-Q3
Number of corporations		660,336	379,014	978	997	884
Total national coverage (% of GVA)		49.4	35.4	13.9	14.2	12.8
<b>PROFIT AND LOSS ACCOUNT</b>						
1 VALUE OF OUTPUT (including subsidiaries)	100.0	2.8	1.4	-0.7	-3.2	7.0
<i>Of which:</i>						
<i>Net amount of turnover and other operating income</i>	145.7	1.7	0.2	-3.5	-6.3	8.5
2 INPUTS (including taxes)	64.1	0.6	-0.3	-2.7	-6.0	10.3
<i>Of which:</i>						
<i>Net purchases</i>	41.7	-1.3	-0.1	-1.2	-7.2	14.4
<i>Other operating costs</i>	22.8	4.0	0.2	-2.9	-3.6	0.5
S.1 GROSS VALUE ADDED AT FACTOR COST [1 – 2]	35.9	6.9	4.6	3.4	2.7	0.8
3 Personnel costs	22.5	3.7	3.9	0.7	1.1	2.0
S.2 GROSS OPERATING PROFIT [S.1 – 3]	13.4	13.7	5.9	6.2	4.4	-0.4
4 Financial revenue	3.9	-9.9	4.1	4.1	-1.7	1.4
5 Financial costs	3.0	-10.0	-10.3	-12.6	-11.2	-11.6
6 Depreciation, impairment and operating provisions	5.6	1.9	1.4	0.2	2.1	-0.9
S.3 ORDINARY NET PROFIT [S.2 + 4 – 5 – 6]	8.7	25.6	15.4	18.0	10.9	4.8
7 Gains (losses) from disposals and impairment	1.0	—	—	—	—	—
7' As a percentage of GVA (7 / S.1)		-5.5	2.8	15.2	6.9	-1.8
8 Changes in fair value and other gains (losses)	-0.6	—	22.9	24.5	—	25.0
8' As a percentage of GVA (8 / S.1)		-1.0	-1.8	-3.6	-1.9	-1.3
9 Corporate income tax	2.4	19.4	—	—	—	-16.1
S.4 NET PROFIT [S.3 + 7 + 8 - 9]	6.7	-14.1	68.5	185.8	8.1	-20.5
S.4' As a percentage of GVA (S.4 / S.1)		10.0	18.8	34.3	29.0	23.5
<b>PROFIT RATIOS</b>						
	Formulas (b)					
R.1 Return on investment (before taxes)	(S.3 + 5.1) / NA	4.6	5.0	5.8	4.5	4.2
R.2 Interest on borrowed funds/ interest-bearing borrowing	5.1 / IBB	3.2	2.8	2.7	2.7	2.3
R.3 Ordinary return on equity (before taxes)	S.3 / E	5.7	6.4	8.2	5.9	5.7
R.4 ROI – cost of debt (R.1 – R.2)	R.1 – R.2	1.5	2.1	3.1	1.8	1.9
<b>MEMORANDUM ITEM: TOTAL SAMPLE WITHOUT ENERGY SECTOR</b>						
S.1 GROSS VALUE ADDED AT FACTOR COST [1 – 2]		7.6	5.2	4.2	2.7	4.3
S.2 GROSS OPERATING PROFIT [S.1 – 3]		16.8	7.3	8.6	4.5	6.9

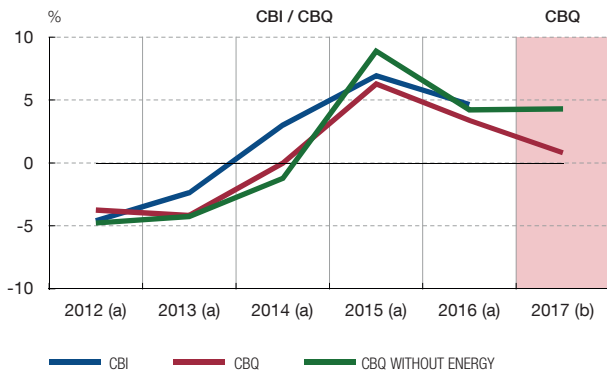
SOURCE: Banco de España.

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

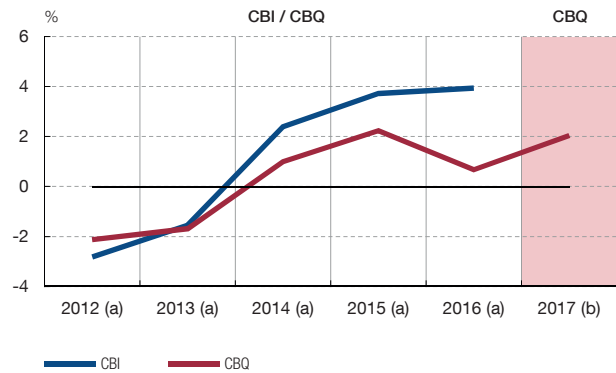
**a** All the data in these columns have been calculated as the weighted average of the quarterly data.

**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).

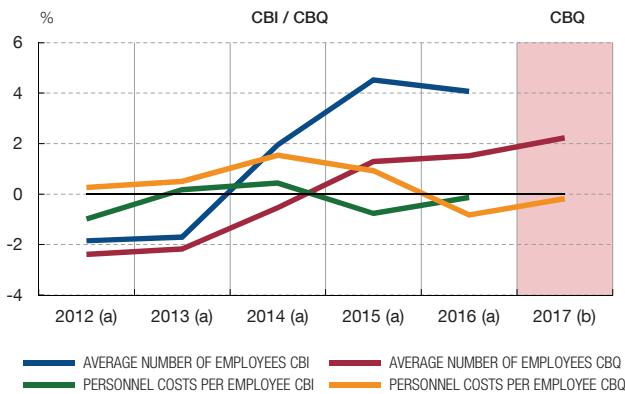
1 GROSS VALUE ADDED AT FACTOR COST  
Rate of change



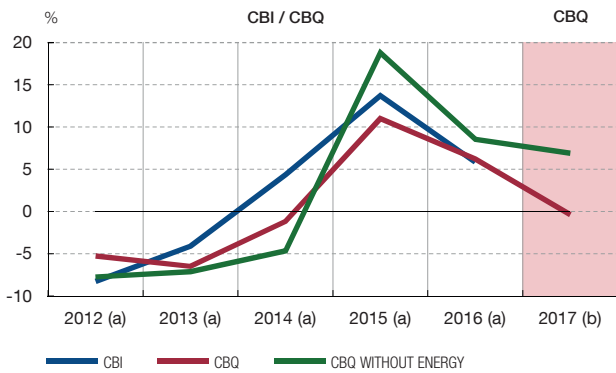
2 PERSONNEL COSTS  
Rate of change



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	688,853	660,336	379,014	—
	CBQ	840	842	888	986	978	884
% of GVA of the sector non-financial corporations	CBI	47.5	47.5	49.6	49.4	35.4	—
	CBQ	12.2	11.9	13.4	14.0	13.9	12.8

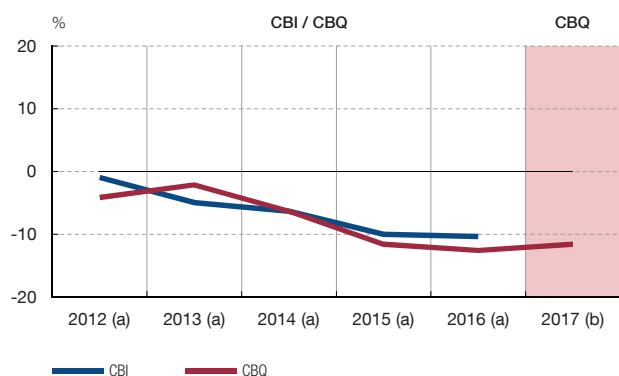
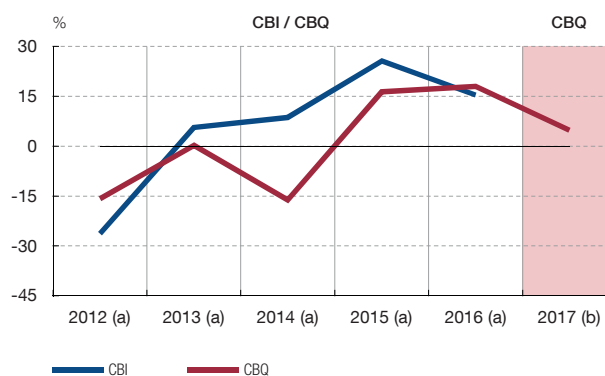
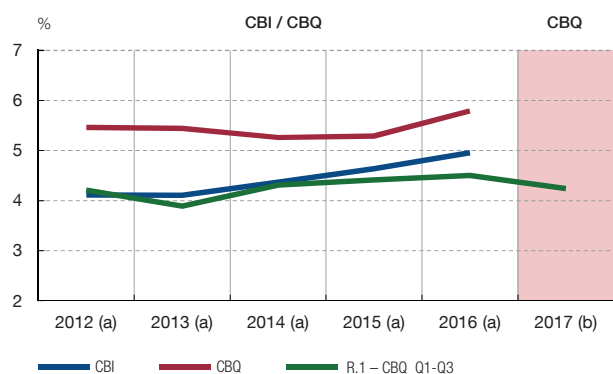
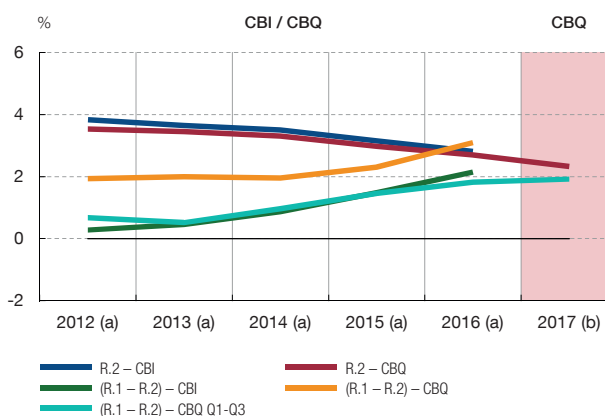
SOURCE: Banco de España.

a The 2012, 2013, 2014, 2015 and 2016 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 Data for 2017 Q1-Q3 relative to the same period in 2016.

recorded in others, such as the food, beverages and tobacco industry (-7%) and the manufacture of computer and electronic products (-4.4%). Activity in the wholesale and retail trade and accommodation and food service activities sector, benefiting from the recovery in consumption, continued to display expansionary behaviour, especially in 2016, when its GVA grew by 6.4%, while in 2017 the increase was more moderate (1.6%). In the information and communication sector GVA grew by 3.8% in 2016, and by 2% in the first nine months of 2017, according to the latest CBQ data. Lastly, in the other activities sector GVA grew by 5.2% in 2016 and 6.7% in the first three quarters of the current year, in both cases on the back of the solid performance of transport and other service sector firms.



5 FINANCIAL COSTS  
Rate of change6 ORDINARY NET PROFIT  
Rate of change7 RETURN ON INVESTMENT (R.1)  
Ratios8 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	688,853	660,336	379,014	—
	CBQ	840	842	888	986	978	884
% of GVA of the sector non-financial corporations	CBI	47.5	47.5	49.6	49.4	35.4	—
	CBQ	12.2	11.9	13.4	14.0	13.9	12.8

SOURCE: Banco de España.

a The 2012, 2013, 2014, 2015 and 2016 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 Data for 2017 Q1-Q3. The rates are calculated relative to the same period in 2016.

Chart 2, which presents the distribution of firms according to their GVA growth, shows that during the first three quarters of 2017 there was a slight improvement in the extreme percentiles, in comparison with the situation a year earlier. Also, it can be seen that the median of the distribution stood at 3.7%, almost 3 pp above the mean value. This reflects the fact that the mean was adversely affected, as mentioned above, by the less favourable performance of certain large firms.

Employment and  
personnel costs

Personnel costs increased by 3.9% in 2016, according to the CBI, and during the first three quarters of 2017 by 2%, according to the CBQ (see Table 2). The growth of these costs was mainly a consequence of the favourable performance of employment in both periods, with the rate of change of average compensation remaining at moderate levels.

**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 costs				Employees (average for period)				Personnel costs				Compensation per employee			
	CBI	CBQ (a)			CBI	CBQ (a)			CBI	CBQ (a)			CBI	CBQ (a)		
	2016	2016 Q1-Q4	2016 Q1-Q3	2017 Q1-Q3	2016	2016 Q1-Q4	2016 Q1-Q3	2017 Q1-Q3	2016	2016 Q1-Q4	2016 Q1-Q3	2017 Q1-Q3	2016	2016 Q1-Q4	2016 Q1-Q3	2017 Q1-Q3
<b>TOTAL</b>	<b>4.6</b>	<b>3.4</b>	<b>2.7</b>	<b>0.8</b>	<b>4.1</b>	<b>1.5</b>	<b>1.5</b>	<b>2.2</b>	<b>3.9</b>	<b>0.7</b>	<b>1.1</b>	<b>2.0</b>	<b>-0.1</b>	<b>-0.8</b>	<b>-0.4</b>	<b>-0.2</b>
<b>SIZE</b>																
Small	8.1	—	—	—	6.5	—	—	—	7.3	—	—	—	0.8	—	—	—
Medium	6.8	3.3	4.1	9.6	4.4	3.4	2.9	5.2	5.4	3.6	4.2	6.1	1.0	0.2	1.3	0.9
Large	3.4	3.4	2.7	0.7	2.7	1.5	1.5	2.2	2.4	0.6	1.0	2.0	-0.3	-0.8	-0.4	-0.2
<b>BREAKDOWN BY ACTIVITY</b>																
Energy	-0.3	0.1	2.7	-11.8	1.8	0.7	0.4	1.7	-0.2	-1.6	-0.2	1.1	-1.9	-2.2	-0.6	-0.6
Industry	4.7	6.6	-0.1	5.4	3.2	1.9	2.2	1.5	4.2	2.7	3.0	2.3	0.9	0.8	0.7	0.7
Wholesale and retail trade and accommodation & food service activities	6.4	1.7	1.8	1.6	4.5	2.5	2.5	3.1	4.8	2.0	1.9	3.1	0.3	-0.5	-0.6	0.0
Information and communications	3.8	3.1	4.2	2.0	1.7	-3.5	-2.8	-0.8	1.1	-2.3	-1.9	-1.4	-0.6	1.2	0.9	-0.6
Other activities	5.2	5.1	4.5	6.7	4.6	1.8	1.5	2.7	4.3	0.4	0.9	2.8	-0.3	-1.4	-0.5	0.2

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**

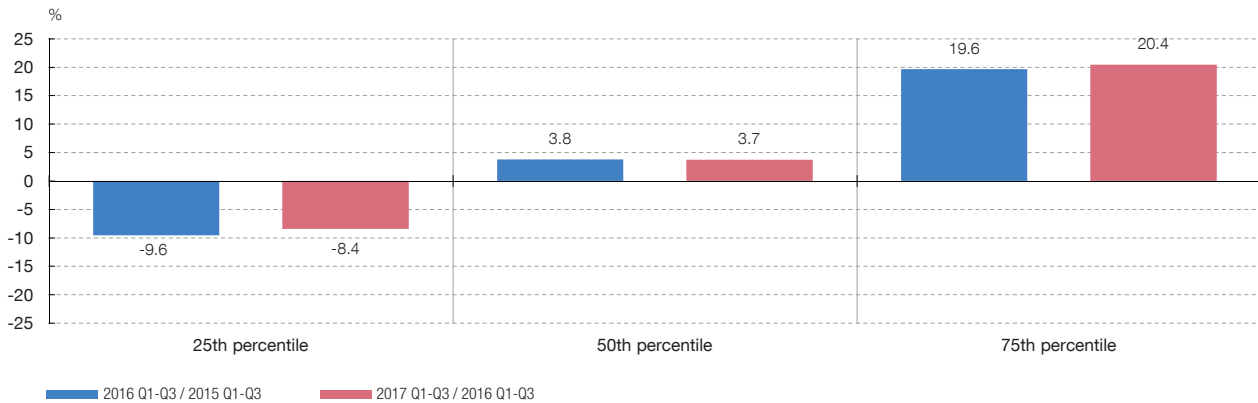
**TABLE 3**

Structure and rate of change, percentages

		CBA		CBQ (a)	
		2015	2016	2016 Q1-Q3	2017 Q1-Q3
Total corporations		7,153	7,153	884	884
Corporations reporting source/destination		7,153	7,153	820	820
Percentage of net purchases according to source	Spain	64.7	64.4	69.4	70.3
	Total abroad	35.3	35.6	30.6	29.7
	EU countries	18.8	19.7	21.4	19.8
	Third countries	16.5	15.9	9.2	10.0
Percentage of net turnover according to destination	Spain	75.8	75.4	78.7	79.1
	Total abroad	24.2	24.6	21.3	20.9
	EU countries	15.5	16.1	15.2	14.6
	Third countries	8.7	8.5	6.0	6.2
Change in net external demand (exports less imports), rate of change	Industry	26.2	103.3	29.5	8.3
	Other corporations	-54.1	50.4	49.3	24.5

SOURCE: Banco de España.

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



SOURCE: Banco de España.

In 2016, for the third year running, the CBI firms recorded an increase in their average workforces, of 4.1% (as against 4.5% in 2015). The CBQ also shows an increase in the average number of workers (2.2%) in the first three quarters of 2017, an acceleration in the growth rate from the same period a year earlier (1.5%).

In line with these developments, the Table 4 data show that the percentage of firms that created employment continued to rise, to reach 43.3% (as against 42.9% the previous year), as it has done continuously since 2014. For the third consecutive year this percentage exceeded that of firms destroying jobs (28.4%). The latest information for 2017 shows a continuation of this positive trend, as the proportion of firms creating jobs continued to grow during the first nine months, to reach 49.8% (up 3.7 pp from a year earlier), widening the gap with the percentage of firms in which average workforce numbers declined (34.2%).

The recovery of employment, both in 2016 and in the first nine months of 2017, was stronger in the case of temporary employment, which grew by 8.4% in both periods (see Table 5). Permanent employment also increased, by 2.8% in 2016 (the same rate as in 2015) and by 0.9% in the first three quarters of 2017 (as compared with the decline of 0.2% according to the quarterly data a year earlier).

A sector-level analysis shows that the positive performance of employment was broad-based, extending to almost every industry. Thus, in 2016, increases in average workforce numbers were seen in all the sectors analysed, ranging from 1.7% in information and communication to 4.6% in the other activities sector. The CBQ data for 2017 also show continuation of the trend of job creation in all industries, except information and communication, where average workforce numbers fell by 0.8%. In the other sectors, employment growth was strongest in the wholesale and retail trade and accommodation and food service activities sector (3.1%) and in the other activities sector (2.7%), and weakest in energy (1.7%) and industry (1.5%).

Average compensation remained practically unchanged in 2016 (decreasing by 0.1%; see Table 2), as against a fall of 0.8% in 2015. By sector, the largest decline was in energy (1.9%), while the changes in the others were less significant (smaller than one percentage point in every case), with rises in some sectors and falls in others. During the first nine months of 2017, according to the CBQ these costs fell slightly, by 0.2%. In energy and in



**PERSONNEL COSTS AND EMPLOYEES**  
**Percentage of corporations in specific situations**

**TABLE 4**

	CBI (a)		CBQ (b)			
	2015	2016	2015 Q1-Q4	2016 Q1-Q4	2016 Q1-Q3	2017 Q1-Q3
NUMBER OF CORPORATIONS	480,108	280,188	986	978	997	884
PERSONNEL COSTS	100	100	100	100	100	100
Falling	39.6	34.2	35.8	38.3	37.5	32.9
Constant or rising	60.4	65.8	64.2	61.7	62.5	67.1
AVERAGE NUMBER OF EMPLOYEES	100	100	100	100	100	100
Falling	30.9	28.4	39.3	37.9	37.9	34.2
Constant	26.1	28.3	15.6	15.4	16.0	16.0
Rising	42.9	43.3	45.1	46.6	46.1	49.8

SOURCE: Banco de España.

- a** To calculate these percentages, corporations that did not have any staff in 2015 and in 2016 were excluded.  
**b** Weighted average of the relevant quarters for each column.

**EMPLOYMENT**

**TABLE 5**

		Total CBQ corporations 2017 Q1-Q3	Corporations increasing (or not changing) staff levels	Corporations reducing staff levels
NUMBER OF CORPORATIONS		884	549	335
NUMBER OF EMPLOYEES				
Initial situation 2016 Q1-Q3 (000s)		892	531	361
Rate 2017 Q1-Q3/ 2016 Q1-Q3		2.2	7.3	-5.2
Permanent	Initial situation 2016 Q1-Q3 (000s)	733	432	301
	Rate 2017 Q1-Q3/ 2016 Q1-Q3	0.9	4.9	-4.8
Non-permanent	Initial situation 2016 Q1-Q3 (000s)	159	99	60
	Rate 2017 Q1-Q3/ 2016 Q1-Q3	8.4	17.8	-7.1

SOURCE: Banco de España.

information and communication average wages decreased by 0.6%. By contrast, industry recorded increases (of 0.7%), while in wholesale and retail trade and accommodation and food service activities and the other activities sector the changes were minimal.

**Profit, rates of return and debt**

In line with the expansionary behaviour of productive activity, gross operating profit (GOP) grew in 2016, by 5.9%, although this rate was lower than in 2015 (13.7%). CBQ data show that this surplus fell slightly (by 0.4%) during the first three quarters of 2017, compared with the rise of 4.4% a year earlier. As mentioned, the latest developments have been heavily influenced by the contractionary behaviour of certain large firms, mostly in the energy sector. Thus, if energy is excluded, GOP increased by 6.9% in the first nine months of 2017 (see Table 1 and Chart 1).

The growth of GOP in 2017, excluding the energy sector, in which it fell by almost 17%, was broad-based across sectors. Notable were the increases in industry (9.1%) and in the

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 (a)		CBI		CBQ (a)		CBI		CBQ (a)		CBI		CBQ (a)	
	2016	2016 Q1-Q4	2016 Q1-Q3	2017 Q1-Q3	2016	2016 Q1-Q4	2016 Q1-Q3	2017 Q1-Q3	2016	2016 Q1-Q4	2016 Q1-Q3	2017 Q1-Q3	2016	2016 Q1-Q4	2016 Q1-Q3	2017 Q1-Q3
<b>TOTAL</b>	<b>5.9</b>	<b>6.2</b>	<b>4.4</b>	<b>-0.4</b>	<b>15.4</b>	<b>18.0</b>	<b>10.9</b>	<b>4.8</b>	<b>5.0</b>	<b>5.8</b>	<b>4.5</b>	<b>4.2</b>	<b>2.1</b>	<b>3.1</b>	<b>1.8</b>	<b>1.9</b>
<b>SIZE</b>																
Small	10.3	–	–	–	17.8	–	–	–	3.0	–	–	–	0.4	–	–	–
Medium	10.3	2.8	4.1	16.7	16.0	6.1	8.4	28.5	7.0	7.2	7.4	8.4	4.3	4.9	5.1	6.3
Large	4.8	6.3	4.4	-0.5	15.0	18.1	10.9	4.6	5.4	5.8	4.5	4.2	2.6	3.1	1.8	1.9
<b>BREAKDOWN BY ACTIVITY</b>																
Energy	-0.3	0.8	3.9	-16.7	19.7	22.0	9.8	-18.0	5.5	5.6	4.5	3.8	2.4	2.7	1.6	1.2
Industry	5.6	11.2	-3.5	9.1	13.9	22.7	-4.1	-2.6	8.4	10.0	8.4	8.6	5.6	7.6	6.2	6.2
Wholesale & retail trade and accommodation & food service activities	10.0	1.3	1.6	-0.8	24.6	14.8	3.3	4.2	8.1	13.0	9.8	8.8	5.2	10.8	7.5	6.8
Information and communications	6.4	6.7	8.3	4.1	24.0	24.2	23.3	7.8	11.5	18.3	17.2	16.3	9.5	16.7	15.4	14.9
Other activities	7.6	14.3	11.2	13.0	7.3	5.5	-3.3	1.0	3.2	3.9	2.7	2.6	0.4	1.1	0.0	0.3

SOURCE: Banco de España.

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

other activities sector (13%), while in information and communication growth was somewhat more moderate (4.1%), and in wholesale and retail trade and accommodation and food service activities it was slightly negative (–0.8%; see Table 6).

Financial revenue grew in 2016 at a rate 4.1%, and in the first three quarters of 2017 at 1.4%. In both cases dividends, which increased by 10.9% in 2016 and by 2.5% in the first nine months of 2017, were the main reason for the changes.

Financial costs remained on a downward path, with declines in 2016 (of 10.3%) and in the first nine months of 2017 (of 11.6%). The reduction in these costs was due mainly to the lower average cost of debt borne by firms, since the growth of interest-bearing debt had a merely residual impact in both periods (see Table 7).

In line with the developments in GOP, ONP grew sharply in 2016 (by 15.4%), while in the first three quarters of 2017 it increased significantly more moderately (by 4.8%). The slowdown observed in the first three quarters of this year was determined, as mentioned above, by the behaviour of several large firms with a high weight in the sample. This is apparent, for example, in the fact that the median rate of change was more stable (edging down from 7.9% in 2016 to 6.7% in 2017).

The favourable developments in extraordinary costs and revenue in 2016 led to a 68.5% rise in net profit that year. Specifically, there was a significant decline in valuation adjustments for the impairment of certain financial assets, with respect to the amounts recorded a year earlier. During the first nine months of this year, by contrast, the behaviour

## FINANCIAL COSTS

TABLE 7

Percentages

	CBI	CBQ	
	2016 / 2015	2016 Q1-Q4/ 2015 Q1-Q4	2017 Q1-Q3/ 2016 Q1-Q3
Change in financial costs	-10.3	-12.6	-11.6
A Interest on borrowed funds	-10.3	-12.2	-11.0
1 Due to the cost (interest rate)	-10.8	-8.7	-11.4
2 Due to the amount of interest-bearing debt	0.5	-3.5	0.4
B Other financial costs	0.0	-0.4	-0.6

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-Q3	2017 Q1-Q3	2016 Q1-Q3	2017 Q1-Q3
Number of corporations		997	884	997	884
Percentage of corporations by profitability bracket	R <= 0%	23.3	22.7	28.0	25.4
	0% < R <= 5%	25.7	25.1	16.8	17.7
	5% < R <= 10%	15.3	16.2	11.7	11.3
	10% < R <= 15%	9.3	10.4	8.7	9.2
	15% < R	26.4	25.7	34.8	36.4
Memorandum item: Median return (%)		5.2	5.8	7.3	8.2

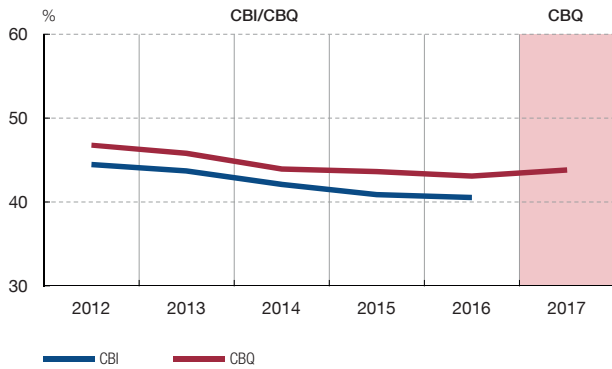
SOURCE: Banco de España.

of non-recurring items had a negative impact on net profit, since, although some firms recorded large capital gains on sales transactions and impairment loss reversals in 2016, in 2017 costs were recorded in respect of valuation adjustments, which were associated with financial assets in all cases. As a result, profit for the year grew by 20.5% from January to September 2017. Expressed as a percentage of GVA, this surplus stood at 18.8% in 2016 (compared with 10% the previous year), while for the CBQ sample, in 2017 to date, it fell by 5.5 pp to stand at 23.5%.

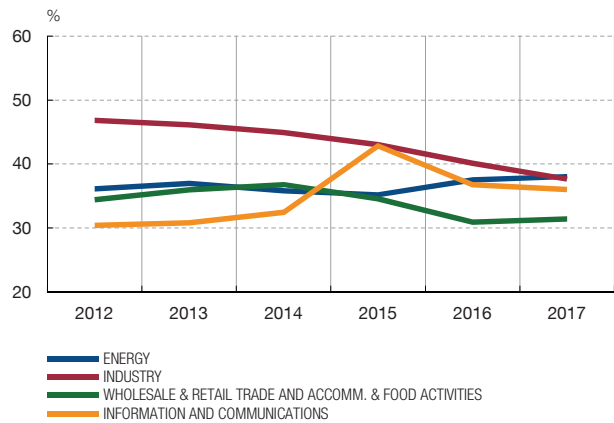
The profit ratios increased in 2016, by 0.4 pp in the case of the return on investment and 0.7 pp in the case of the return on equity, to stand at 5% and 6.4%, respectively. In the first three quarters of 2017, however, these indicators declined slightly. Thus, the return on investment stood at 4.2% for the CBQ sample as a whole, as compared with 4.5% in the same period in 2016, and the return on equity fell by 0.2 pp, to 5.7%. However, the distribution by firm in the value of these variables, which appears in Table 8, shows a decrease in the percentage of firms that in the first three quarters of this year recorded a decline in profitability. The table also shows that, unlike average returns, median returns clearly increased. In particular, the return on investment rose from 5.2% to 5.8% and the return on equity by almost 1 pp, to 8.2%. This confirms that the aggregate rate of return data were adversely affected in 2017 by the less favourable performance of several large corporations.

The breakdown by sector reveals that the rates of return on investment in 2016 were similar to or higher than in the previous year in all sectors. The latest data, corresponding

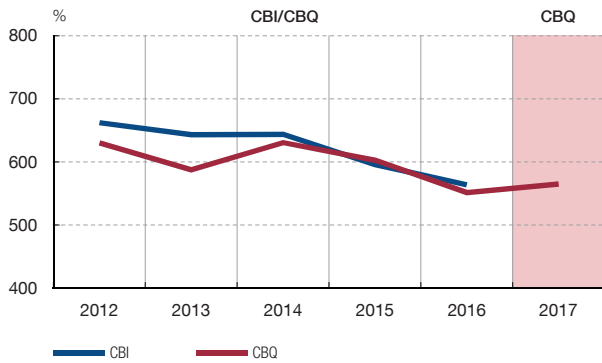
1 E1. INTEREST-BEARING BORROWING / NET ASSETS (a)  
TOTAL CORPORATIONS



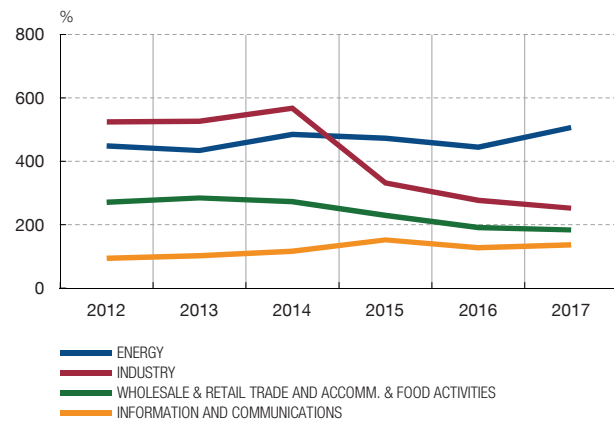
2 E1. INTEREST-BEARING BORROWING / NET ASSETS (a)  
BREAKDOWN BY SECTOR. CBQ



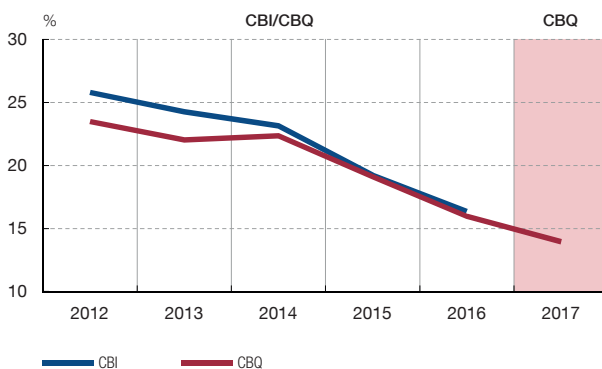
3 E2. INTEREST-BEARING BORROWING (b) / (GOP + FR) (c)  
TOTAL CORPORATIONS



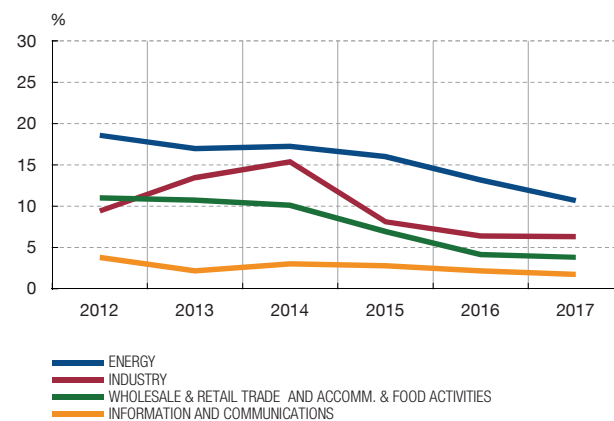
4 E2. INTEREST-BEARING BORROWING (b) / (GOP + FR) (c)  
BREAKDOWN BY SECTOR. CBQ



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



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



SOURCE: Banco de España.

- a Ratio calculated from final balance sheet figures. Own funds 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).
- c The expenditure and revenue included in these ratios are calculated on the basis of cumulated four-quarter amounts.

to the first nine months of 2017, show reductions in aggregate rates of return in almost all sectors, ranging from 0.1 pp to 1 pp, industry being the only one to post a slightly higher rate than in the same period of 2016 (see Table 6).

The average cost of borrowing fell by 0.4 pp in 2016, to 2.8%, and this trend continued in 2017, with this indicator also decreasing for the CBQ firms by 0.4 pp, compared with the same period a year earlier, to 2.3%. The behaviour of the return on investment in 2016, together with the fall in the cost of debt, led to a further increase in the spread between these two ratios that year, to 2.1 pp, up 0.6 pp from the previous year. In the latest period, the lower cost of debt offset the fall in aggregate profitability, the difference between these ratios increasing slightly (by 0.1 pp), to 1.9 pp.

Finally, the E1 and E2 ratios, which measure the level of indebtedness, relative to net assets in the first case and to revenue (obtained as the sum of GOP and financial revenue) in the second, fell in 2016, while in the first nine months of 2017 they both rose slightly, to 43.8% and 56.5%, respectively (see Chart 3). By sector, in the first three quarters of 2017, there was a notable increase in the E2 ratio in energy, but generally the changes in these ratios were of little significance and included both rises and falls. The ratio that measures the interest burden fell in both periods, owing to the decline in financial costs and, to a lesser extent, the rise in ordinary net profit. The sector breakdown shows a downward trend in the energy sector and relative stability in the rest.

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This box analyses the activity and results of small and medium-sized enterprises (SMEs) in the CBI in 2016,<sup>1</sup> the latest data

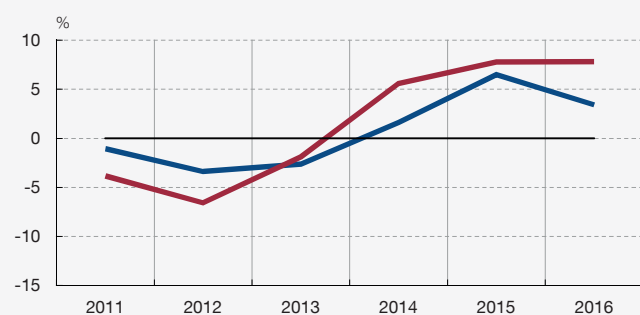
1 The criterion applied by the Central Balance Sheet Data Office, in accordance with European Commission Recommendation 2003/361/EC, considers a firm to be an SME if it has no more than 250 employees and its assets or net turnover do not exceed a certain threshold (currently set at €50 million and €43 million, respectively). In addition, irrespective of the above criteria, neither public enterprises nor firms belonging to a group that exceeds those thresholds are considered SMEs.

available, on slightly more than 370,000 such enterprises.<sup>2</sup> In 2016 the GVA of the SMEs in this sample rose for the third consecutive year, at a rate of growth of 7.8%, almost identical to that recorded in 2015 (see Chart 1.1). Also, as in the past two years, GVA performed better for SMEs than for the aggregate of large corporations, where it rose by 3.4%.

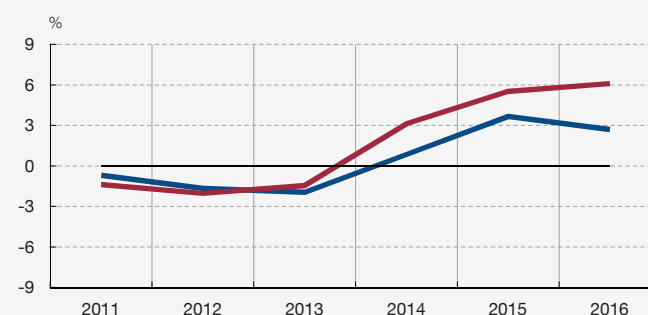
2 The information for 2016 is considered preliminary, as more data have still to be incorporated into both the CBA and the CBB. The final number of firms will be approximately 600,000.

Chart 1  
PERFORMANCE OF SPANISH SMES

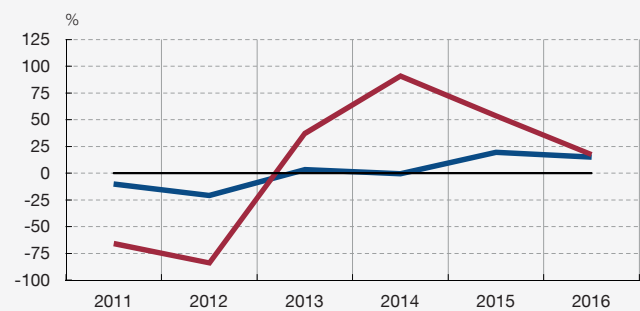
1 GROSS VALUE ADDED AT FACTOR COST  
Rate of change



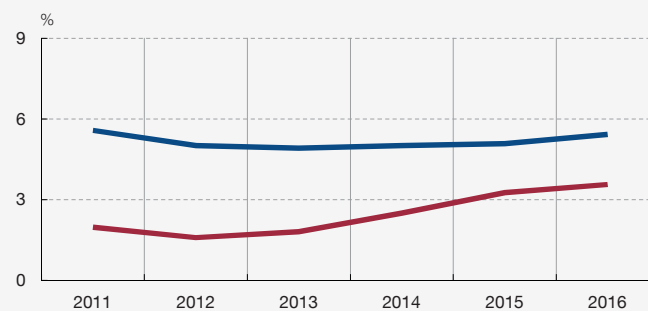
2 EMPLOYMENT  
Rate of change



3 ORDINARY NET PROFIT  
Rate of change



4 RETURN ON INVESTMENT (R.I.)  
Ratios



— LARGE CORPORATIONS — SMEs

		2011	2012	2013	2014	2015	2016
Number of corporations	Large (a)	16,057	20,165	22,881	24,185	23,033	11,803
	SMEs	578,630	609,761	604,221	664,668	637,303	367,211
% of GVA of sector non-financial corporations	Large (a)	27.8	30.6	31.8	32.3	32.7	25.4
	SMEs	17.1	17.3	16.2	17.6	17.0	10.0

SOURCE: Banco de España.

a In keeping with European Commission Recommendation 2003/361/EC, this segment includes public enterprises and firms belonging to large groups.



shows that the improvement was practically universal: SMEs' GVA grew in all sectors, with the exception of electricity, gas, steam and air conditioning supply, which was the only sector that saw a decrease in GVA. The positive performance in manufacturing, wholesale and retail trade, and accommodation and food service activities is noteworthy (with growth in GVA of 7.6%, 7.8% and 13%, respectively) and helped explain more than half the increase in GVA in the SME segment.

Personnel costs of SMEs rose by 7%, compared with 4.8% in 2015. The sharper increase in this item in 2016 was essentially owing to stronger job creation at SMEs. Thus, average workforces grew by 6.1%, compared with 5.5% in 2015, against a backdrop of moderate growth (0.8%) in average wages. In keeping with the pattern observed in productive activity, employment growth at SMEs outpaced that of large firms which stood at 2.7% (see Chart 1.2). There was also a minor increase in 2016 in the percentage of SMEs where the workforce expanded (43.1%, compared with 42.9% a year earlier) and the gap widened between these SMEs and those where jobs were destroyed (28.4%, down 2.5 pp). The breakdown by type of contract shows that the strongest employment growth continued to be among temporary staff (8.9%), although there was also a significant increase in permanent staff (5.3%), which was higher than a year earlier (3.9%). The breakdown by industry shows that workforces expanded across the board, save in mining and quarrying where there was a small decrease (-0.5%). In all other sectors employment grew at a good pace, ranging between 5.1% and 9.7%, and in most cases growth was higher than a year earlier. As with GVA, manufacturing, wholesale and retail trade, and accommodation

and food service activities made the largest contribution to the increase in employment at the SMEs in the sample, with growth of 5.2%, 5.1% and 8.8%, respectively.

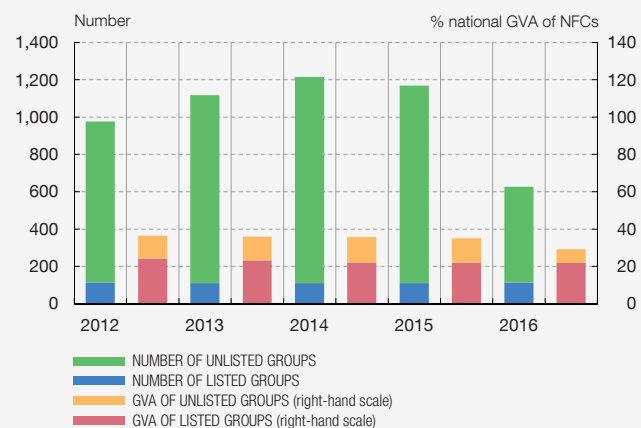
The financial costs of the sample SMEs fell by 10.6% in 2016, very similar to the 2015 figure, continuing the downward path observed for this item in recent years. This was largely due to the lower average cost of debt, which fell by 0.3 pp to 2.7%. Deleveraging also helped to push down financial costs, albeit very marginally. Together with the recovery in operating profit, this led to an increase of 17.3% in SMEs' ordinary net profit, a high rate of growth, albeit much more moderate than a year earlier when ONP rose by an exceptional 53.6% (see Chart 1.3). On the back of this strong earnings performance, the rate of return on investment at SMEs continued to rise, up 0.3 pp on 2015 to 3.6%, although still some 0.2 pp below that of the large corporations (see Chart 1.4). The breakdown by industry shows that in most cases rates of return held steady or rose. The higher return on investment, together with the lower cost of debt, gave rise to further widening of the spread between these two ratios, which was positive (0.9 pp) for the second consecutive year and 0.6 pp higher than a year earlier.

To sum up, on the CBI data available, SME activity continued to improve in 2016 and the trend of recovery in both ordinary profit and employment was extended. As in the past two years, SMEs performed more favourably than large corporations. The good profit performance again boosted returns on investment and, given the lower cost of debt, prompted further widening of the spread between these two indicators, which was positive for the second consecutive year.

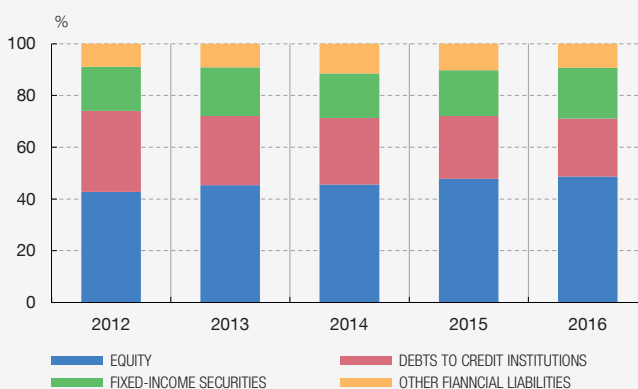
The analysis of the economic and financial situation of corporations included in the main text of this article is based on information relating to the individual financial statements of the firms included in the CBQ and CBI survey samples. It is customary

for large firms to form corporate groups with other domestic and foreign firms. To measure the economic and financial situation of these groups, it is important to supplement the information obtained from the individual financial statements with that

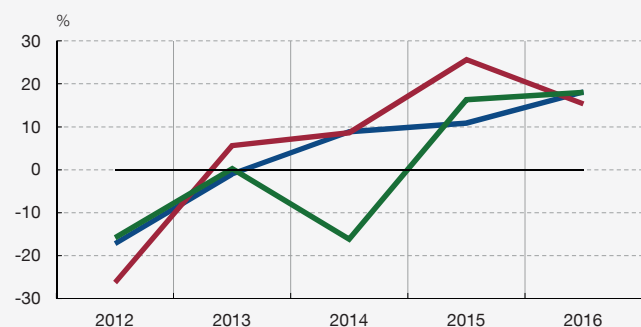
**Chart 1**  
NUMBER AND RELATIVE IMPORTANCE OF LISTED AND UNLISTED GROUPS (a)



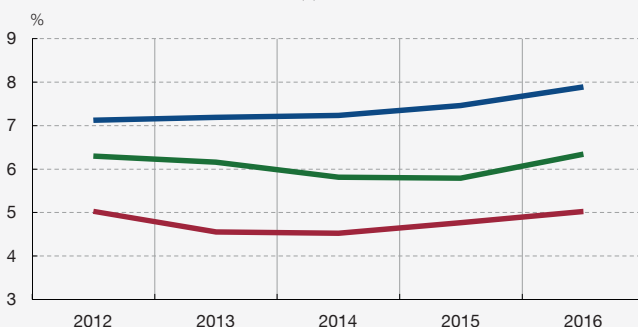
**Chart 2**  
BALANCE SHEET. LIABILITIES STRUCTURE



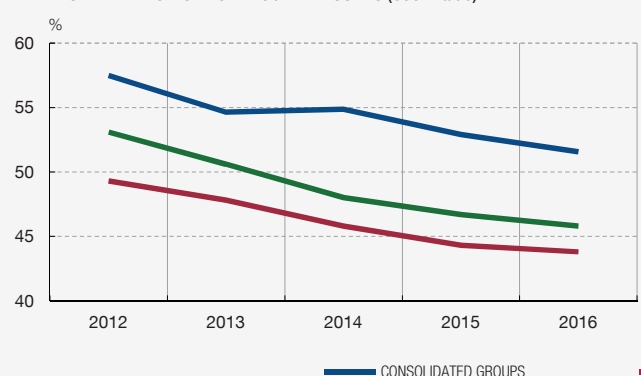
**Chart 3**  
ORDINARY NET PROFIT. RATE OF CHANGE



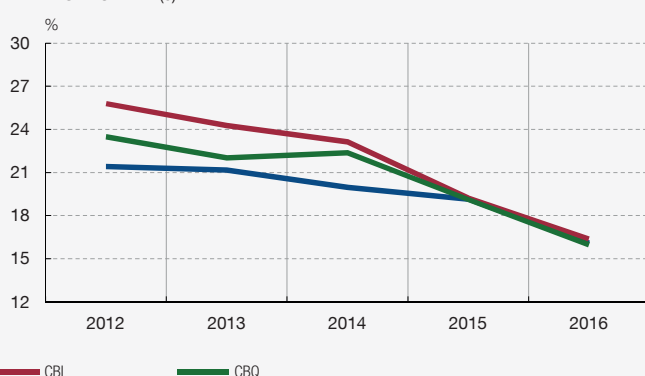
**Chart 4**  
RETURN ON INVESTMENT (book value) (b)



**Chart 5**  
INTEREST-BEARING BORROWING / NET ASSETS (book value)



**Chart 6**  
INTEREST BURDEN (c)



SOURCES: CNMV, INE, Mercantile Registries and Banco de España.

- a Gross value added at basic prices with respect to total non-financial corporations. The numerator includes the gross value added generated by nonresident subsidiaries; therefore, the indicator only provides a measure of the size or relative importance of the non-financial corporate groups, listed and unlisted, rather than coverage relative to GVA.
- b Defined as (ordinary net profit + financial costs) / net assets.
- c Defined as financial costs / (gross operating profit + financial revenue).

obtained from the consolidated financial statements. One of the advantages of the latter statements is that intragroup transactions are eliminated in consolidation because the group is considered as a single firm, thereby facilitating analysis of these complex corporate structures.

In order to supplement the information based on the individual financial statements, the Central Balance Sheet Data Office (CBSO) has set up a database with the consolidated statements of Spanish non-financial groups<sup>1</sup> (all the listed and a substantial number of the unlisted ones), comprising a variable sample of more than 1,000 conglomerates for each year, whose activity accounts for approximately 35% of the GVA generated by the total sector of non-financial corporations in Spain (see Chart 1). On the basis of this sample, this box analyses the recent performance (up to 2016,<sup>2</sup> the latest year available) of the financial structure and the economic and financial situation of Spanish non-financial consolidated groups.

The information on the liabilities structure of these organisations shows that the deleveraging they have been undertaking in recent years continued in 2016. As a result, the weight of equity<sup>3</sup> in funding sources rose once again, to account for practically half (49%) of the total remunerated liabilities, 0.8% more than in 2015 and almost 6 pp higher than in 2012 (see Chart 2). Within debt, the importance of funds obtained through securities issuance increased, to the detriment of those obtained from credit institutions. As a result, the weight of funding from capital markets reached 34% of total borrowed funds in 2016, 3.3 pp more than in 2015 and only 4.8 pp below the weight of debts to credit institutions. This demonstrates the importance of the financial disintermediation process in Spain in recent years in large

corporations,<sup>4</sup> favoured in part by the purchase of bonds issued by non-financial corporations with high credit quality by the Eurosystem through the programme known as CSPP.<sup>5</sup>

As regards the recent performance of profit at the consolidated groups analysed, the path of recovery seen since 2014 has continued in 2016, with an increase in ONP of 18%, as compared with growth of 11% in 2015 (see Chart 3). The aggregate return on investment ratio performed similarly, standing at 7.9% in 2016, 0.4 pp higher than in 2015, which is also higher than the related records of the other two domestic samples (see Chart 4).

With respect to the financial position of the groups analysed, the debt-to-net assets ratio fell again in 2016, to 52% (1.4 pp down on 2015). This ratio has therefore decreased by 6 pp since 2012. The performance of this indicator is similar to that seen in the CBQ and CBI samples, although the leveraging of the conglomerates has been higher throughout this period, which probably reflects their greater borrowing capacity, owing to higher profitability, bigger size and lower income volatility (see Chart 5). Deleveraging, together with the improvement in the results of the corporate groups, led to an ongoing decline in their financial burden (see Chart 6). In comparison with the samples of domestic firms, it is seen that, despite their greater relative indebtedness, the debt burden of large groups is not higher, which is explained by the fact that their profitability is also higher.

In summary, the latest information on consolidated groups shows that their economic and financial situation improved once again in 2016 and continued to be more favourable than that of Spanish firms on average. Also, in 2016 these conglomerates continued to change the structure of their debt, with funds obtained through capital markets gaining weight.

1 The CBSO report "Annual results of non-financial corporations 2016" includes for the first time an annex with the results of this database for non-financial consolidated groups. It contains a note on the most notable methodological aspects.

2 For 2016 there are fewer unlisted groups available, since the 2016 data of some corporate groups which have not yet submitted their consolidated financial statements have not been included in the database.

3 Equity is basically comprised of own funds (mainly capital and reserves) and other minor items (valuation adjustments, minority interests and subsidies and non-current deferred income).

4 For further details, see Chapter 2 of the *Annual Report 2016* ("Financing and investment decisions of Spanish non-financial corporations"), <https://www.bde.es/f/webbde/SES/Secciones/Publicaciones/PublicacionesAnuales/InformesAnuales/16/Files/cap2e.pdf>

5 See Ó. Arce, R. Gimeno and S. Mayordomo (2017), *Making room for the needy: The credit-reallocation effects of the ECB's corporate QE making room for the needy: The credit-reallocation effects of the ECB's corporate QE*, Working Papers, Banco de España, forthcoming.