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RESULTS OF NON-FINANCIAL CORPORATIONS  
TO 2021 Q4. PRELIMINARY YEAR-END DATA

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## ABSTRACT

Data from the Central Balance Sheet Data Office Quarterly Survey (CBQ) show that corporate earnings and activity increased significantly in 2021. However, the recovery was dampened in Q4 at the firms most exposed to rising energy costs. Against this background, average profitability levels rose significantly compared with 2020, albeit remaining below pre-pandemic values. The overall debt of the sample firms grew in 2021, leading to a slight increase in the average debt-to-assets ratio. Conversely, the average ratio of debt to ordinary earnings, which proxies repayment capacity, fell, helped by the recovery in corporate earnings. The average interest coverage ratio also decreased. This was due to both the lower cost of outstanding debt and higher ordinary earnings. Following the sharp rise in the previous year, liquidity ratios declined at most firms and sectors, against a less uncertain backdrop. The article includes a box analysing recent developments in the degree of financial vulnerability of CBQ firms. It shows that, after the severe downturn in 2020, there was a clear improvement in 2021. However, they remained more financially vulnerable than in 2019.

**Keywords:** activity, earnings, financial position, non-financial corporations, COVID-19.

**JEL classification:** L25, M21, M41.

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### Introduction

The results of the Central Balance Sheet Data Office Quarterly Survey (CBQ) show an increase in firms' activity in 2021 compared with 2020, as employment and ordinary earnings both grew, partly reversing the sharp decline posted a year earlier as a result of the impact of the COVID-19 crisis. Nevertheless, in 2021 Q4 higher energy costs appear to have dampened the recovery in corporate earnings in the most energy-intensive sectors.

The increase in ordinary earnings resulted in higher profitability levels than those recorded a year earlier, without reaching pre-pandemic values. The average debt-to-assets ratio continued to rise, while the average ratio of debt to ordinary earnings (gross operating profit plus financial revenue) decreased due to the positive corporate earnings performance. This improvement in earnings, together with the decline in the average cost of outstanding debt, meant that the average interest coverage ratio resumed a downward path. Lastly, the liquidity ratio fell at most firms in 2021, against a backdrop of gradually waning uncertainty, after the sharp rise recorded a year earlier.

### Activity, employment and personnel costs

The CBQ reveals that, taken as a whole, sample firms' activity recovered significantly in 2021. Thus, nominal output was up 18.1% on the previous year,<sup>1</sup> in contrast to the extraordinary drop recorded in 2020 (-19.7%) as a result of the impact of the pandemic (see Table 1 and Chart 1). Even so, it remained 5.7% below pre-health crisis levels. At the same time, intermediate consumption also increased, and to a greater degree (21.3%), amid rising energy prices. These developments led gross value added (GVA) to rise by 10.9% in 2021, after falling by 21.1% a year earlier.

The greater increase in intermediate consumption than in output led the trade margin, calculated as the ratio of GVA to output, to fall slightly in 2021 for the CBQ sample

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<sup>1</sup> The CBQ contains information on the 926 firms which had reported their 2021 Q1, Q2, Q3 and Q4 data by 18 March. The sample represents 11.3% of the GVA of the entire non-financial corporations sector (according to the information furnished by the National Accounts).

Table 1

## IN 2021 FIRMS' ACTIVITY INCREASED AND RATES OF RETURN ROSE

Databases	CBI Structure	Central Balance Sheet Data Office integrated database (CBI)		CBQ (a)		
	2020	2019	2020	2019 Q1-Q4 / 2018 Q1-Q4	2020 Q1-Q4 / 2019 Q1-Q4	2021 Q1-Q4 / 2020 Q1-Q4
Number of corporations		684,107	648,412	1,031	943	926
Total national coverage (% of GVA)		52.3	48.9	13.0	11.6	11.3
Profit and loss account (rates of change with respect to the same firms in previous year, %)						
1 VALUE OF OUTPUT (including subsidies)	100.0	2.6	-13.0	0.0	-19.7	18.1
<i>Of which:</i>						
<i>Net amount of turnover and other operating income</i>	148.9	1.3	-13.2	-1.3	-20.1	21.4
2 INPUTS (including taxes)	63.3	1.4	-13.0	-0.6	-19.0	21.3
<i>Of which:</i>						
<i>Net purchases</i>	38.6	1.8	-16.5	-2.0	-25.1	33.0
<i>Other operating costs</i>	24.2	3.6	-9.2	2.4	-10.3	8.0
S.1 GROSS VALUE ADDED AT FACTOR COST [1 – 2]	36.7	4.6	-13.0	1.4	-21.1	10.9
3 Personnel costs	25.9	5.9	-4.9	3.3	-4.2	2.4
S.2 GROSS OPERATING PROFIT [S.1 – 3]	10.8	2.1	-27.6	-0.6	-38.3	23.6
4 Financial revenue	4.2	9.4	-14.7	4.7	-19.7	24.2
5 Financial costs	2.2	-2.3	-3.4	-5.8	-10.4	-7.0
6 Depreciation, impairment and operating provisions	6.3	2.2	2.1	1.1	0.1	-2.9
S.3 ORDINARY NET PROFIT [S.2 + 4 – 5 – 6]	6.5	6.0	-42.9	2.1	-56.0	68.1
7 Gains (losses) from disposals and impairment	-1.8	-69.5	—	-44.6	—	—
7' As a % of GVA (7 / S.1)		1.6	-4.9	8.5	-6.0	7.1
8 Changes in fair value and other gains (losses)	-0.7	6.1	4.6	-20.8	41.7	—
8' As a % of GVA (8 / S.1)		-1.7	-2.0	-4.6	-3.4	-11.6
9 Corporate income tax	1.0	-6.9	-37.1	-26.9	-50.1	58.6
S.4 NET PROFIT [S.3 + 7 + 8 – 9]	3.0	-7.2	-69.7	-12.8	-80.0	141.3
S. 4' As a % of GVA (S.4 / S.1)		22.6	8.1	38.0	10.0	25.8
RATES OF RETURN						
	Formulae (b)					
R.1 Return on assets (before tax)	(S.3 + 5.1) / NA					
R.2 Interest on borrowed funds/interest-bearing borrowing	5.1 / IBB					
R.3 Ordinary return on equity (before tax)	S.3 / E					
R.4 ROA – cost of debt (R.1 – R.2)	R.1 – R.2					
R.1		5.9	4.0	6.8	4.3	4.7
R.2		2.2	2.0	2.0	1.8	1.6
R.3		8.1	5.2	10.4	6.2	7.1
R.4		3.7	1.9	4.8	2.5	3.1
MEMORANDUM ITEM: TOTAL SAMPLE RE-WEIGHTED						
S.1 GROSS VALUE ADDED AT FACTOR COST [1 – 2]		4.6	-12.7	1.1	-21.8	12.4
S.2 GROSS OPERATING PROFIT [S.1 – 3]		2.2	-27.0	-2.9	-45.1	46.6

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 this column have been calculated as the weighted average of the quarterly data.

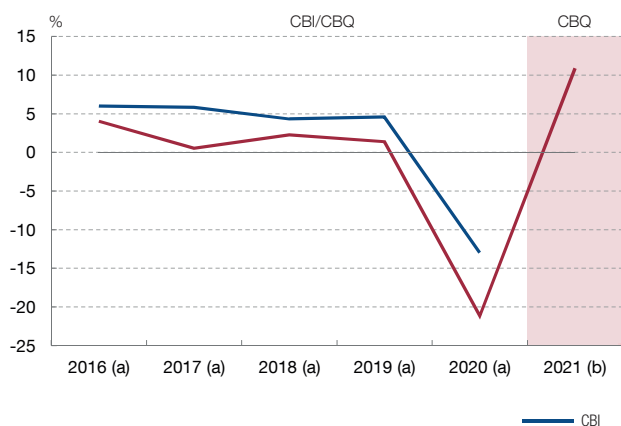
b NA = Net assets (net of non-interest-bearing borrowing); E = Equity; IBB = Interest-bearing borrowing; NA = E + IBB. The financial costs in the numerators of ratios R.1 and R.2 only include the portion of financial costs that is interest on borrowed funds (5.1).

Chart 1

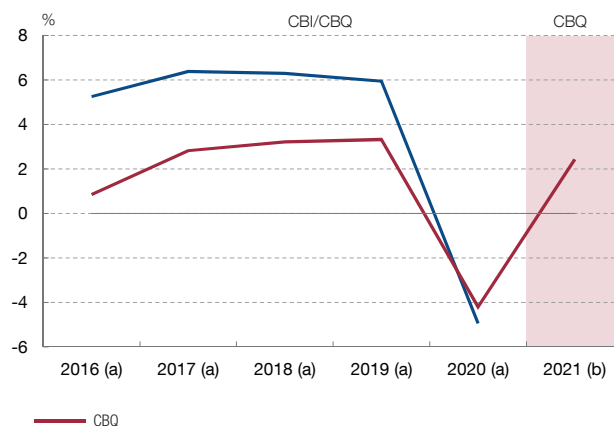
### ACTIVITY, EARNINGS AND EMPLOYMENT ALL GREW IN 2021

In 2021 GVA, GOP and employment all grew, partially reversing the steep decline recorded a year earlier. Average compensation fell slightly in the overall sample.

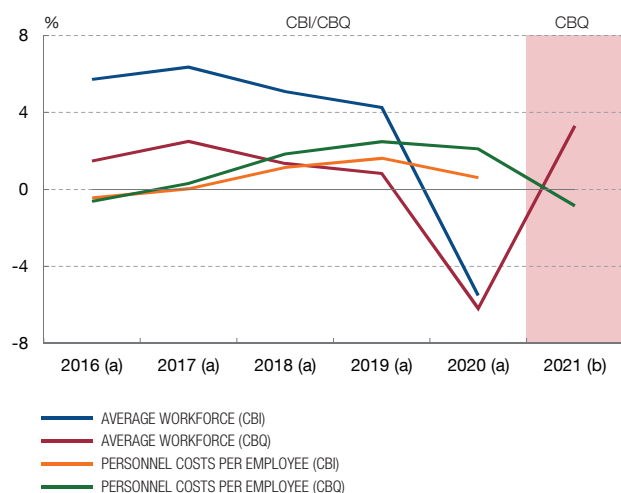
1 GVA AT FACTOR COST  
Rate of change



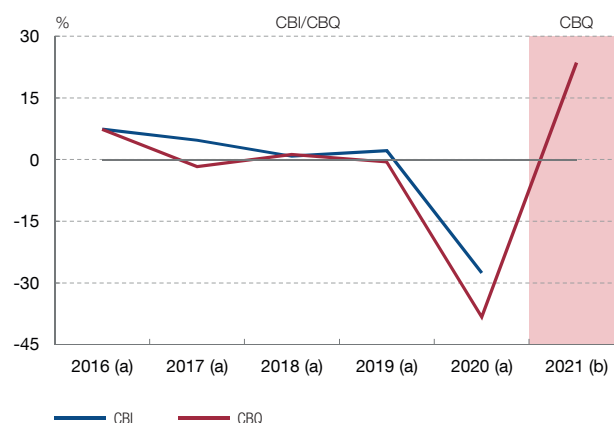
2 PERSONNEL COSTS  
Rate of change



3 EMPLOYMENT AND WAGES  
Rate of change



4 GOP  
Rate of change



Reporting non-financial corporations	2016	2017	2018	2019	2020	2021
Number of corporations	CBI 844,923	813,798	788,214	684,107	648,412	—
	CBQ 982	994	1,031	1,031	943	926
% of GVA of the non-financial corporations sector	CBI 56.1	55.7	56.9	52.3	48.9	—
	CBQ 14.7	14.0	13.0	13.0	1.6	11.3

SOURCE: Banco de España.

- a 2016, 2017, 2018, 2019 and 2020 data, drawing on CBI firms, and average for the four quarters of each year compared with the previous year (CBQ).  
 b Average for the four quarters of 2021 relative to the same period in 2020.

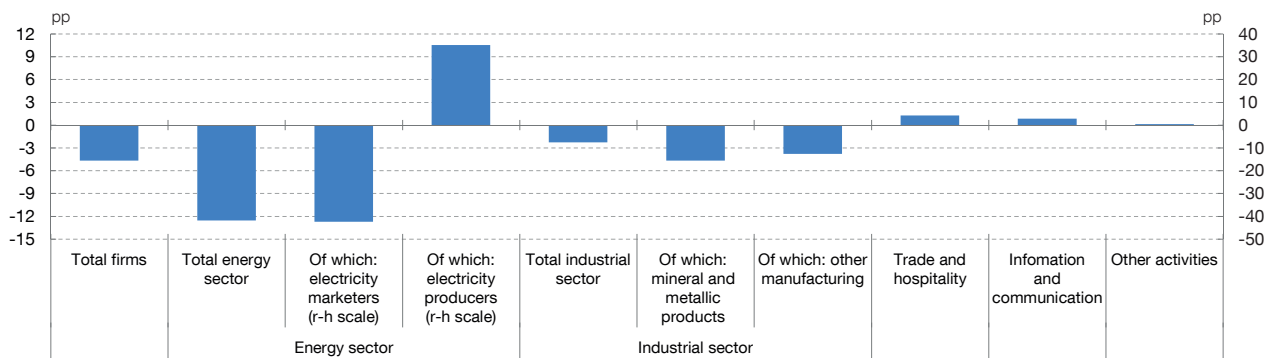


Chart 2

**IN 2021 Q4 TRADE MARGINS FELL IN THE SECTORS MOST EXPOSED TO RISING ENERGY COSTS**

The trade margin fell in 2021 Q4. This affected certain sectors more than others. For instance, in the energy sector it fell by more than 12 pp due to the sharp narrowing of this indicator at electricity marketers, which, nonetheless, was partially offset by an increase at electricity producers, which are also part of this sector. Within the industrial sector, the manufacture of mineral and metallic products sub-sectors and the other manufacturing sub-sector, whose firms' production processes are gas and electricity-intensive also recorded a significant drop in their trade margins between October and December. All this suggests that the increase in energy prices lies, at least partly, behind this narrowing of trade margins in 2021 Q4.

TRADE MARGIN IN 2021 Q4. SECTORAL BREAKDOWN (a)  
Difference vs 2020 Q4 (pp)



SOURCE: Banco de España.

a Trade margin is calculated as the ratio of GVA to output.



taken as a whole. This decline was steeper in Q4 and affected certain economic sectors above all. First, in the energy sector, between October and December this margin fell by just over 12 percentage points (pp) (see Chart 2), due mainly to the sharp narrowing of this indicator at electricity marketers, which, nonetheless, was partially offset by a significant increase at electricity producers, which are also included in this sector and which were able to pass the increase in their production costs on to their customers.<sup>2</sup> Chart 2 also shows that, within the industrial sector, the manufacture of mineral and metallic products sub-sectors and the other manufacturing sub-sector (which includes the paper industry), whose firms' production processes are energy-intensive (particularly in terms of electricity and gas), also recorded a significant drop in their trade margins (4.7 pp and 3.8 pp, respectively) in 2021 Q4. All this suggests that the increase in energy prices lies, at least partly, behind this narrowing of trade margins in 2021 Q4.

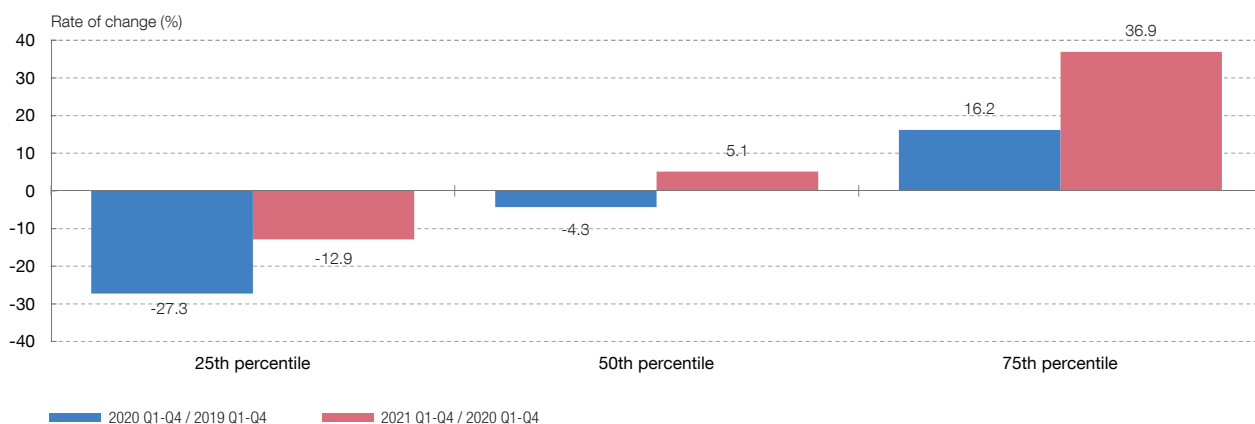
Chart 3, which presents data for the three quartiles of the distribution of CBQ firms by rate of change in GVA, shows a positive median growth rate of 5.1% in 2021, against the drop of 4.3% recorded in 2020. The top and bottom quartiles of the

2 Electricity producers recorded higher production costs, especially due to the rising price of gas, a combined cycle power plant input, and they passed this on to their customers. Meanwhile, electricity marketers were unable to do the same in some cases (when operating in the free market), as they were bound by long-term contracts stipulating fixed prices.

Chart 3

**IN THE THREE QUANTILES OF THE DISTRIBUTION GVA FARED BETTER IN 2021 THAN A YEAR EARLIER**

In 2021 the median year-on-year rate of growth of GVA was 5%, compared with the 4.3% decline of a year earlier. In the 25th and 75th percentiles, the improvement in GVA vis-à-vis 2020 was even more pronounced.



SOURCE: Banco de España.



distribution show a more pronounced improvement in the GVA rate of change as compared with a year earlier. The change in the 25th and 75th percentiles suggests that the increase in GVA at the higher end of the distribution probably reflects the recovery at firms that in 2020 had recorded a very sharp contraction in their earnings.

By sector, the analysis shows that GVA recovered virtually across the board. Of particular note was the industrial sector, which saw the strongest recovery (38.9%) (see Table 2). Conversely, information and communication was the only sector where GVA continued to fall in 2021 (-2.8%). However, this decline was much less steep than a year earlier (-16.1%).

Nevertheless, the CBQ sample's overall GVA failed to return to pre-pandemic levels, standing 12.8% below the 2019 figure (see Chart 4). The sectoral breakdown of GVA shows that the industrial sector was the only one to record a value similar to its pre-pandemic value, while energy and services firms' levels of activity remained significantly below their 2019 levels.<sup>3</sup>

Personnel costs grew by 2.4% in 2021, driven by the increase in the average effective workforce,<sup>4</sup> as average compensation fell slightly (-0.9%). Specifically, in period

3 In this same connection, the tax authorities' statistics on firms' turnover also confirm, for a broader sectoral breakdown than that of the CBQ and a much larger sample of firms, the existence of high unevenness in the degree to which firms have recovered their pre-pandemic activity levels. Thus, while in many sectors the level of turnover in 2021 already exceeded the 2019 figures, in those sectors hardest hit by the pandemic the level of turnover remained below the values recorded before the COVID-19 crisis.

4 Average effective workforce means the average number of employees that worked in the period considered, excluding furloughed workers.

Table 2

**GVA AND EMPLOYMENT GREW, ALBEIT UNEVENLY ACROSS SECTORS**

	GVA at factor cost				Employees (average for period)				Personnel costs			Average compensation			
	CBI		CBQ (a)		CBI		CBQ (a)		CBI		CBQ (a)	CBI		CBQ (a)	
	2019	2020	2020 Q1-Q4	2021 Q1-Q4	2019	2020	2020 Q1-Q4	2021 Q1-Q4	2019	2020 Q1-Q4	2021 Q1-Q4	2019	2020	2020 Q1-Q4	2021 Q1-Q4
Rate of change with respect to the same firms in the previous year, %															
<b>Total</b>	<b>4.6</b>	<b>-13.0</b>	<b>-21.1</b>	<b>10.9</b>	<b>4.2</b>	<b>-5.5</b>	<b>-6.2</b>	<b>3.3</b>	<b>5.9</b>	<b>-4.2</b>	<b>2.4</b>	<b>1.6</b>	<b>0.6</b>	<b>2.1</b>	<b>-0.9</b>
<b>Size</b>															
Small	6.5	-10.9	—	—	5.9	-5.9	—	—	8.0	—	—	2.0	-2.6	—	—
Medium	5.5	-6.1	-10.1	11.8	4.2	-4.2	-6.8	8.1	6.6	-7.3	5.8	2.3	-0.1	-0.6	-2.1
Large	3.6	-14.6	-21.2	10.9	3.1	-5.5	-6.2	3.2	4.7	-4.2	2.4	1.6	2.3	2.1	-0.8
<b>Breakdown by activity</b>															
Energy	3.2	-5.9	-7.5	0.8	0.5	-1.7	-2.2	-1.1	2.4	-2.2	1.5	1.9	1.8	0.1	2.6
Industry	1.2	-11.1	-27.1	38.9	2.8	-3.8	-5.2	4.1	4.2	-3.4	2.4	1.3	0.4	1.9	-1.6
Trade and hospitality	5.1	-17.3	-15.7	13.4	4.1	-10.1	-7.2	4.5	5.9	-3.8	3.4	1.6	-0.1	3.6	-1.1
Information and communication	3.9	-7.3	-16.1	-2.8	5.8	0.3	-2.9	2.1	6.7	-2.4	3.0	0.9	-0.4	0.5	0.8
Other activities	6.8	-14.0	-33.5	9.6	5.0	-4.1	-7.1	3.0	7.1	-6.0	1.8	2.0	0.3	1.2	-1.2

SOURCE: Banco de España.

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

average terms, average effective employment grew by 3.3% in 2021, compared with the drop of 6.2% a year earlier. The average effective workforce thus remained 3% below the level for 2019 (see Chart 4). Employment grew mainly in the permanent staff group, rising by 3.6%. Meanwhile, temporary workers also increased, but by a more moderate 1.5%. In line with this upward trend in employment, the percentage of firms that increased their effective workforce numbers rose by almost 10 pp on the previous year, to stand at 45.2% (see Table 3).

Table 2 shows that there were increases in the effective workforce in virtually all economic sectors, the exception being energy, the only sector where the average effective workforce declined (-1.1%). The industrial sector and trade and hospitality stood out as the sectors with the sharpest rises (4.1% and 4.5%, respectively).

## Rates of return, liquidity and debt

In keeping with the recovery in activity, gross operating profit (GOP) grew by 23.6% in 2021. However, as with GVA, GOP remained below its pre-pandemic level (specifically, 23.1% lower than in 2019) (see Chart 4).

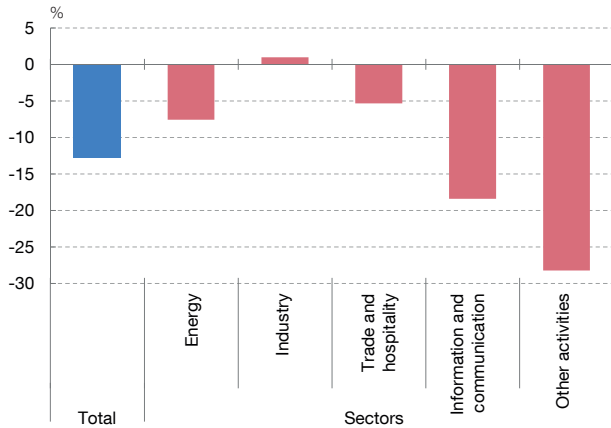


Chart 4

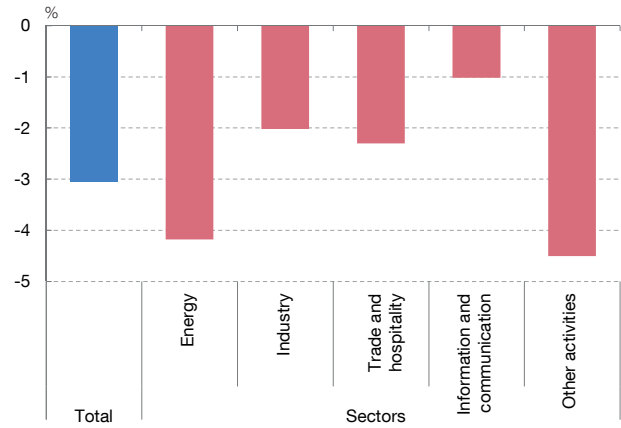
**ACTIVITY AND EMPLOYMENT GREW IN 2021, BUT HAVE NOT YET RETURNED TO PRE-PANDEMIC LEVELS**

While activity grew significantly in 2021, resulting in marked growth of ordinary earnings and employment, almost none of the sectors analysed have yet returned to their 2019 levels. Only in the industrial sector was the level of GVA and GOP similar to their 2019 values, while in the energy sector and, in particular, the sectors linked to services, earnings remained far below their pre-COVID-19 levels. Effective workforces remained between 1% and 4.5% below their pre-pandemic values in the sectors analysed.

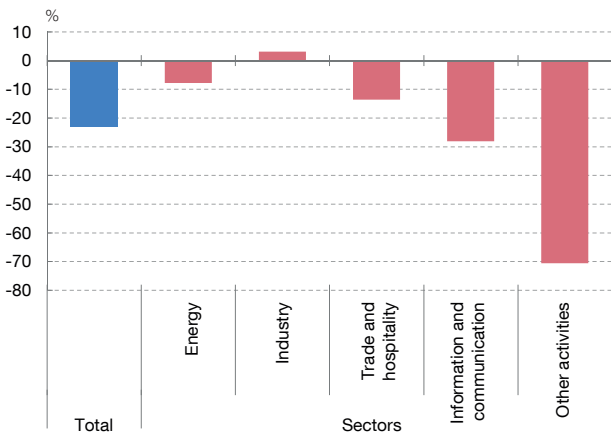
1 GROSS VALUE ADDED AT FACTOR COST  
2021 vs 2019



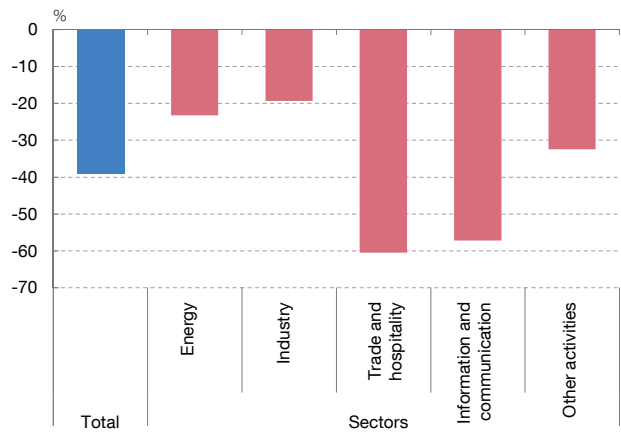
2 AVERAGE EFFECTIVE WORKFORCE  
2021 vs 2019



3 GROSS OPERATING PROFIT  
2021 vs 2019



4 ORDINARY NET PROFIT  
2021 vs 2019



SOURCE: Banco de España.



Financial revenue increased in 2021 by 24.2%, above all as a result of higher dividends received (up 26.1%), although interest income also rose by 11.4%. Financial costs continued to decline (this time by 7%) owing to the lower average borrowing costs for firms, which served to counterbalance higher indebtedness (see Table 4).

All this, along with the drop in depreciation and amortisation and in operating provisions (down 2.9%, primarily on account of lower provisions for inventory write-

Table 3

**THE SHARE OF SAMPLE FIRMS CREATING EMPLOYMENT GREW IN 2021**

Percentage of firms in specific situations	CBI (a)			CBQ (b)		
	2018	2019	2020	2019 Q1-Q4	2020 Q1-Q4	2021 Q1-Q4
Number of firms	563,046	489,616	437,386	1,031	943	926
Personnel costs	100	100	100	100	100	100
Falling	32.0	32.6	57.6	33.2	51.4	37.4
Constant or rising	68.0	67.4	42.4	66.8	48.6	62.6
Average effective workforce	100	100	100	100	100	100
Falling	28.7	29.8	43.0	36.9	51.2	39.3
Constant	26.1	26.5	25.1	14.1	13.5	15.6
Rising	45.2	43.7	31.9	49.1	35.3	45.2

**SOURCE:** Banco de España.

**a** The calculation of these percentages does not include firms that have no employees in either year.

**b** Weighted average of the relevant quarters for each column.

Table 4

**FINANCIAL COSTS CONTINUED TO FALL DUE TO THE LOWER BORROWING COSTS, COUNTERBALANCING HIGHER INDEBTEDNESS**

Percentages	CBI	CBQ	
	2020/2019	2020 Q1-Q4 / 2019 Q1-Q4	2021 Q1-Q4 / 2020 Q1-Q4
Change in financial costs	-3.4	-10.4	-7.0
A Interest on borrowed funds	-3.3	-11.2	-4.3
1 Due to cost (interest rate)	-8.1	-11.3	-9.7
2 Due to the amount of interest-bearing debt	4.8	0.2	5.3
B Other financial costs	-0.1	0.8	-2.7

**SOURCE:** Banco de España.

downs), meant that ordinary net profit (ONP)<sup>5</sup> increased by 68.1% in 2021, in contrast to the sharp decline of 56% recorded a year earlier (see Chart 5). Like the other ordinary earnings analysed above, 2021 ONP remained a significant 39.2% below its pre-pandemic level.

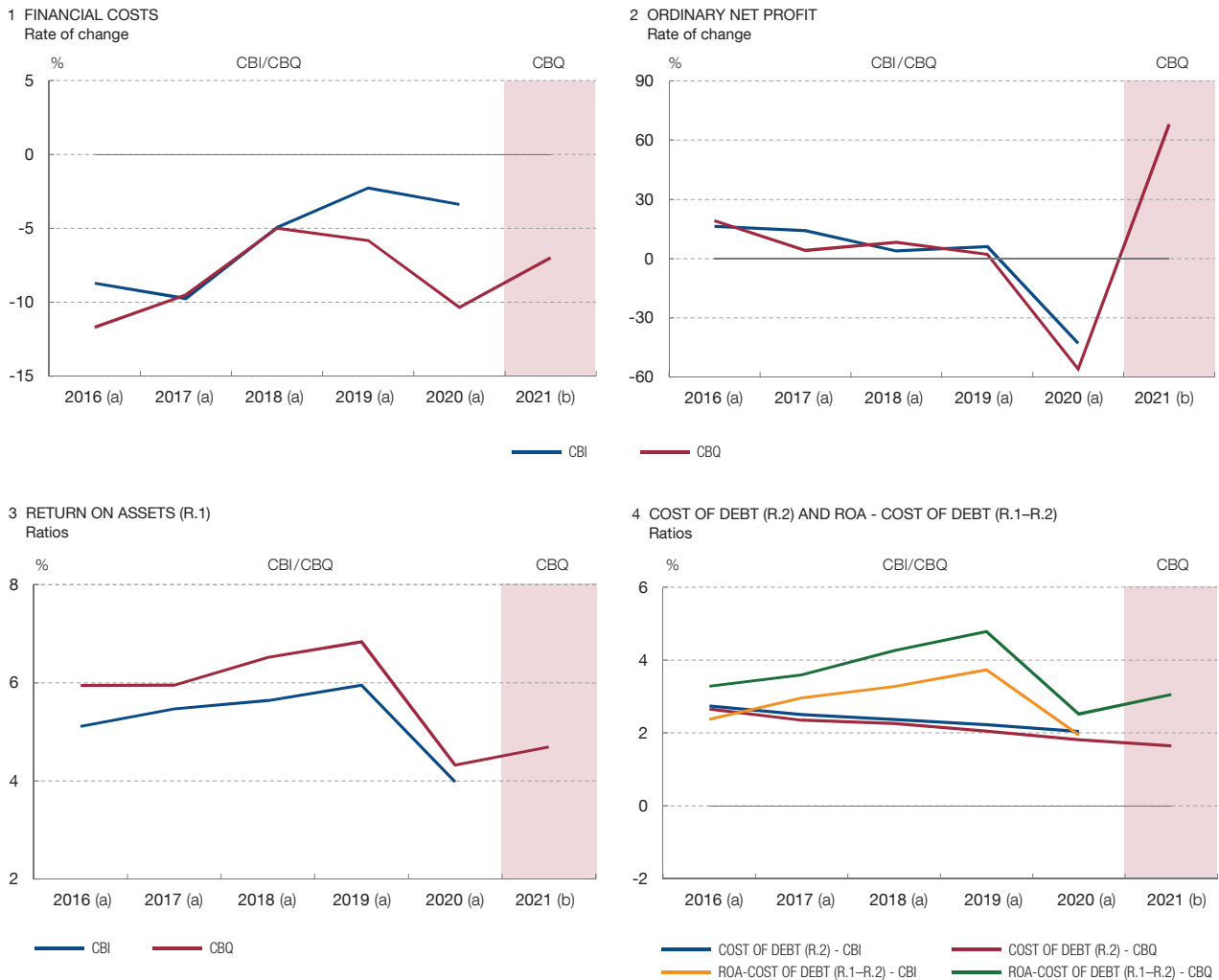
Extraordinary costs and revenue had a further positive impact on net profit, mainly as a result of capital gains arising on financial asset sales and certain financial asset

<sup>5</sup> ONP equals GOP less financial costs and depreciation and amortisation and operating provisions, plus financial revenue.

Chart 5

**ORDINARY EARNINGS AND RETURNS GREW IN 2021, BUT REMAINED BELOW PRE-PANDEMIC LEVELS**

The increase in ordinary earnings led to an increase in ordinary returns in 2021, which remained below 2019 levels. This, along with the slight decline in borrowing costs, allowed the spread between these two ratios to widen.



Reporting non-financial corporations		2016	2017	2018	2019	2020	2021
Number of corporations	CBI	844,923	813,798	788,214	684,107	648,412	—
	CBQ	982	994	1,031	1,031	943	926
% of GVA of the non-financial corporations sector	CBI	56.1	55.7	56.9	52.3	48.9	—
	CBQ	14.7	14.0	13.0	13.0	1.6	11.3

SOURCE: Banco de España.

- a 2016, 2017, 2018, 2019 and 2020 data, drawing on CBI firms, and average for the four quarters of each year (CBQ). For the rates, the calculation is made relative to the previous year.
- b Average of the four quarters of 2021. For the rates, the calculation is made relative to the same period of 2020.



Table 5

**INCREASE IN MEDIAN RETURN AND DECREASE IN THE PERCENTAGE OF FIRMS WITH NEGATIVE PROFITABILITY**

		CBQ			
		Return on assets (R.1)		Ordinary return on equity (R.3)	
		2020 Q1-Q4	2021 Q1-Q4	2020 Q1-Q4	2021 Q1-Q4
Number of firms		943	926	943	926
Percentage of firms by profitability bracket	R ≤ 0%	34.7	29.6	36.6	31.3
	0% < R ≤ 5%	22.3	22.2	15.9	15.4
	5% < R ≤ 10%	12.1	12.8	9.4	10.0
	10% < R ≤ 15%	6.9	8.6	6.3	8.0
	15% < R	23.9	26.8	31.8	35.3
Memorandum item: median return (%)		2.9	4.5	3.8	6.2

SOURCE: Banco de España.

valuation adjustments. This led net profit to grow by a very high 141.3%, affected by its low level a year earlier. As a percentage of GVA, in 2021 net profit stood at 25.8% compared with 10% a year earlier (see Table 1).

Growth in ordinary earnings resulted in an increase in profit ratios. Specifically, the return on assets (ROA) grew by 0.4 pp to 4.7% and the return on equity (ROE) increased by almost 1 pp to 7.1%.<sup>6</sup> The median values of these indicators performed even more favourably: ROA rose to 4.5% compared with 2.9% a year earlier, while ROE increased from 3.8% to 6.2% (see Table 5). This table also shows a reduction of around 5 pp in the percentage of firms that recorded negative values for these indicators, to 29.6% in the case of ROA and to 31.3% in that of ROE. However, these figures remain high in historical terms. The decline in the percentage of firms with negative profitability was accompanied by the encouraging performance of other vulnerability indicators, such as firms with high debt ratios, thus pointing to a decline in the degree of financial vulnerability of CBQ firms in 2021 (see Box 1).

In any event, Chart 5 shows that, despite the upward trend in average ROA in 2021, it remained on average 2 pp below the level seen two years previously.

The sectoral breakdown of ROA reveals uneven trends. Thus, profitability levels rose in the trade and hospitality sector and, in particular, in the industrial sector, to stand at 7.3% and 6.8%, respectively. By contrast, in the energy and “other activities” sectors, ROA fell slightly below the previous year’s levels (0.2 pp), standing at 5.1% and 3.6%, respectively, while the information and communication sector saw a fall of just over 1 pp, down to 7.7% (see Table 6).

<sup>6</sup> ROA is defined as (ONP + financial costs) / net assets, while ROE is defined as ONP / equity.

Table 6

**ORDINARY EARNINGS AND RATES OF RETURN INCREASED, ALBEIT UNEVENLY ACROSS SECTORS**

	GOP				ONP				Return on assets (R.1)				ROA - cost of debt (R.1 - R.2)			
	CBI		CBQ (a)		CBI		CBQ (a)		CBI		CBQ (a)		CBI		CBQ (a)	
	2019	2020	2020 Q1-Q4	2021 Q1-Q4	2019	2020	2020 Q1-Q4	2021 Q1-Q4	2019	2020	2020 Q1-Q4	2021 Q1-Q4	2019	2020	2020 Q1-Q4	2021 Q1-Q4
<b>Total</b>	<b>2.1</b>	<b>-27.6</b>	<b>-38.3</b>	<b>23.6</b>	<b>6.0</b>	<b>-42.9</b>	<b>-56.0</b>	<b>68.1</b>	<b>5.9</b>	<b>4.0</b>	<b>4.3</b>	<b>4.7</b>	<b>3.7</b>	<b>1.9</b>	<b>2.5</b>	<b>3.1</b>
Size																
Small	2.3	-18.4	—	—	0.6	-33.1	—	—	3.8	2.6	—	—	1.6	0.6	—	—
Medium	2.9	-10.7	-16.4	29.4	-1.7	-20.8	-27.1	57.3	7.1	5.5	4.1	5.7	4.9	3.5	2.6	4.1
Large	2.0	-31.2	-38.4	23.6	7.8	-46.2	-56.1	68.1	6.4	4.3	4.3	4.7	4.2	2.2	2.5	3.0
Breakdown by activity																
Energy	3.6	-8.6	-9.2	0.6	20.4	-11.4	-10.7	8.1	6.0	5.2	5.3	5.1	3.7	3.3	3.7	3.7
Industry	-3.4	-24.0	-59.1	152.5	-6.3	-38.2	-95.0	—	7.9	5.1	1.4	6.8	5.6	3.0	-0.5	4.6
Trade and hospitality	3.3	-33.3	-34.0	36.7	-5.2	-48.9	-48.1	53.5	8.4	4.4	5.6	7.3	6.2	2.3	3.7	5.4
Information and communication	0.8	-15.8	-23.6	-6.7	0.9	-39.4	-45.6	-14.7	11.4	6.9	9.0	7.7	9.3	4.7	7.7	6.3
Other activities	5.9	-39.9	-81.9	75.9	18.6	-40.4	-45.6	3.3	4.8	3.3	3.8	3.6	2.6	1.3	1.9	2.0

SOURCE: Banco de España.

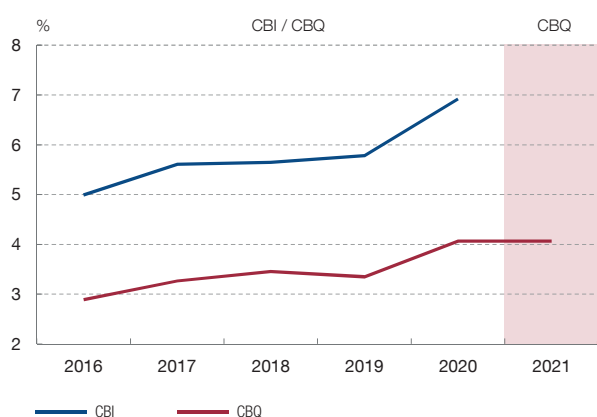
a All the data in these columns have been calculated as the weighted average of the quarterly data.

Chart 6

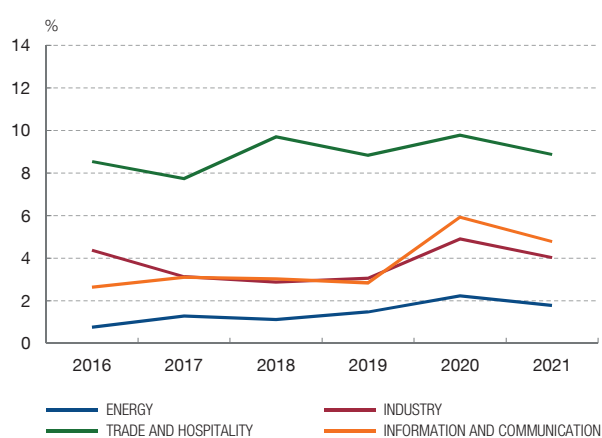
**FIRMS' LIQUIDITY RATIO DECLINED IN 2021 IN MOST SAMPLE FIRMS AND SECTORS**

The average liquidity ratio of CBQ sample firms remained stable in 2021, although these developments are highly influenced by specific transactions at some large corporations in the "other activities" sector. The latter is not shown in the sectoral breakdown of the chart, which indicates that the prevailing trend in the other sectors was a declining liquidity ratio.

1 LIQUIDITY RATIO. CBI / CBQ (LIQUID ASSETS (a) / TOTAL ASSETS)



2 LIQUIDITY RATIO. CBQ. BREAKDOWN BY SECTOR



SOURCE: Banco de España.

a Cash on hand and other equivalent liquid assets are considered liquid.

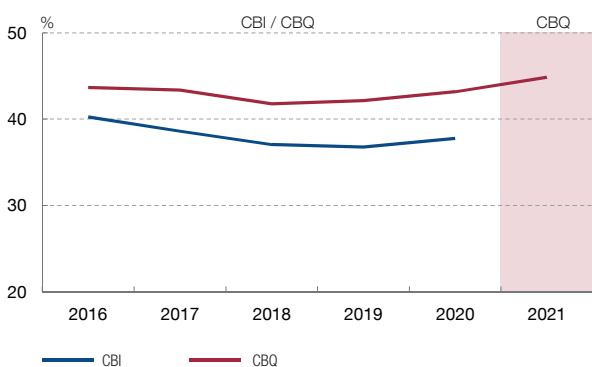


Chart 7

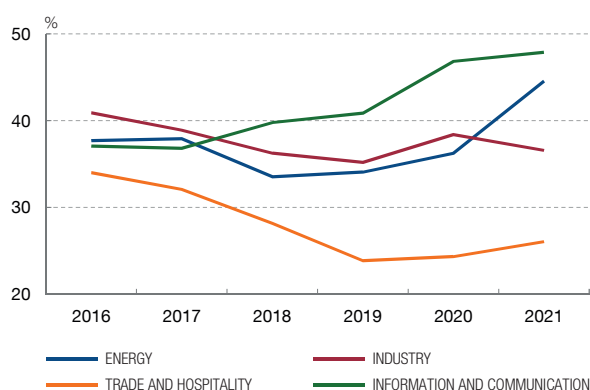
**INCREASE IN DEBT IN 2021 AND SHARP DECLINE IN THE DEBT BURDEN**

In 2021, on average, firms' indebtedness increased in relation to net assets. Conversely, it fell in relation to ordinary earnings, thanks to a significant rise in the latter. The recovery in earnings, along with the further decrease in financial costs, allowed the debt burden ratio to resume the downward path interrupted in 2020. The industrial sector notably posted sharp declines in both the debt-to-ordinary earnings ratio and the debt burden ratio, in large part owing to a significant increase in earnings in this sector.

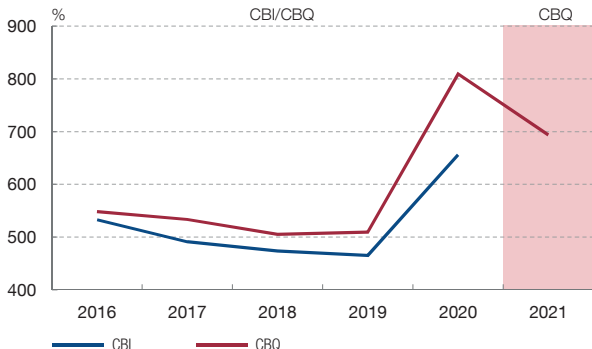
1 E.1. INTEREST-BEARING BORROWING / NET ASSETS (a)  
TOTAL FIRMS  
Ratios



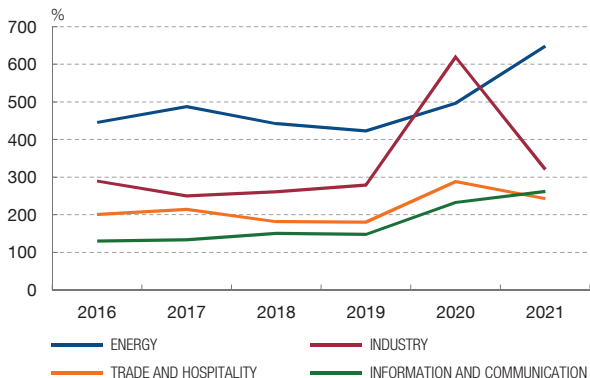
2. E.1. INTEREST-BEARING BORROWING / NET ASSETS (a)  
SECTORAL BREAKDOWN. CBQ  
Ratios



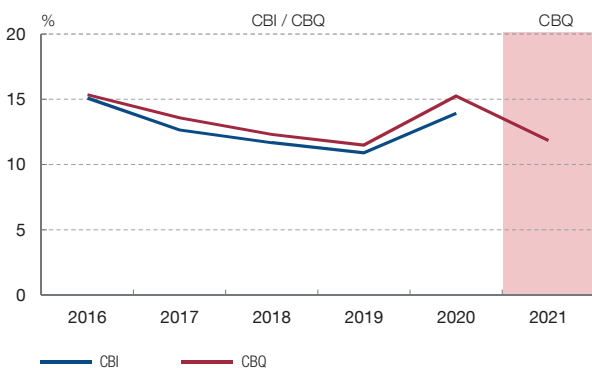
3. E.2. INTEREST-BEARING BORROWING (b) / (GOP + financial revenue) (c)  
TOTAL FIRMS  
Ratios



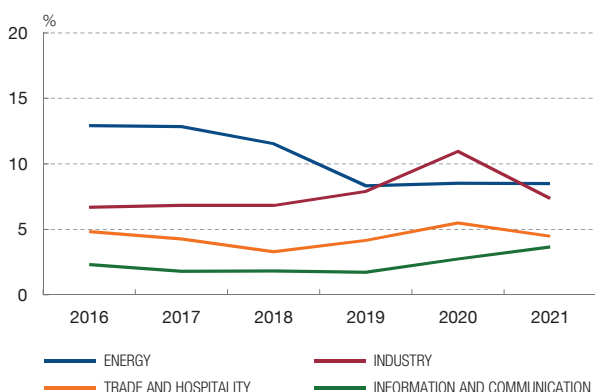
4 E.2. INTEREST-BEARING BORROWING (b) / (GOP + financial revenue) (c)  
SECTORAL BREAKDOWN. CBQ  
Ratios



5 INTEREST BURDEN  
TOTAL FIRMS  
(Interest on borrowed funds) / (GOP + financial revenue) (c)



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



SOURCE: Banco de España.

- a Ratio calculated from final balance sheet figures. Equity includes an adjustment to current prices.
- b Concept calculated from final balance sheet figures. 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 cumulative four-quarter amounts.



The average cost of borrowing remained on the downward path of recent years, falling by 0.2 pp to 1.6%. Developments in ROA and borrowing costs led to a 0.6 pp increase in the spread between these two ratios compared with the previous year, to stand at 3.1 pp.

The average liquidity ratio of firms stabilised in 2021, although this was significantly influenced by the sales of certain financial assets, leading to increased liquidity at a handful of large corporations in the “other activities” sector (see Chart 6.1). In this regard, Chart 6.2, which provides a sectoral breakdown, shows that the average liquidity ratio decreased in all other sectors. Also, the median values of this ratio trended downwards in 2021, indicating that this was the prevailing trend at most firms. This suggests that the gradual reduction in uncertainty has enabled a growing number of firms to release part of the liquidity buffers built up over the previous year.

Lastly, the debt of CBQ firms increased in 2021. However, this was influenced by certain transactions by large corporations accounting for a large share of this sample. As a result, the average debt-to-net assets ratio grew by 1.6 pp to 44.8% at end-2021 (see Chart 7). The sectoral breakdown shows moderate rises in this ratio in the information and communication and trade and hospitality sectors, with somewhat sharper rises in the energy sector, while the industrial sector saw a slight decline. The debt-to-ordinary earnings (the sum of GOP and financial revenue) ratio saw a marked decrease to stand at 694% (down 115 pp on 2020). The sectoral breakdown reveals declines in the trade and hospitality sector and, in particular, the industrial sector, whereas the energy and information and communication sectors recorded an increase.

Finally, the average interest coverage ratio resumed its downward path, following the surge in the previous year, driven by both the continuing fall in interest payments and the rebound in ordinary earnings, standing at 11.8%, 3.4 pp down on 2020 but still slightly above the 11.5% recorded in 2019. The sectoral breakdown for this ratio shows a decline in the industrial and trade and hospitality sectors, a slight increase in the information and communication sector, and a largely stable trend in the energy sector.

25.3.2022.

## RECENT DEVELOPMENTS IN THE FINANCIAL VULNERABILITY OF NON-FINANCIAL CORPORATIONS, DRAWING ON THE CENTRAL BALANCE SHEET DATA OFFICE QUARTERLY SURVEY

The COVID-19 crisis triggered a sharp drop in business activity in 2020, with many companies seeing their profits take a marked turn for the worse, leaving them with no choice but to take on more debt. All of which led the degree of financial vulnerability in the corporate sector to rise, albeit unevenly across sectors.<sup>1</sup> Drawing on information from the

Central Balance Sheet Data Office Quarterly Survey (CBQ), this box analyses the extent to which firms' activity in 2021 enabled them to reverse the damage to their economic and financial position over the past year. To this end, a distinction is drawn between three groups of sectors, based on the degree to which they have been affected by the crisis.<sup>2</sup>

Chart 1  
PERCENTAGE OF FIRMS WITH NEGATIVE RETURN ON ASSETS (a)  
Sectoral breakdown (b)

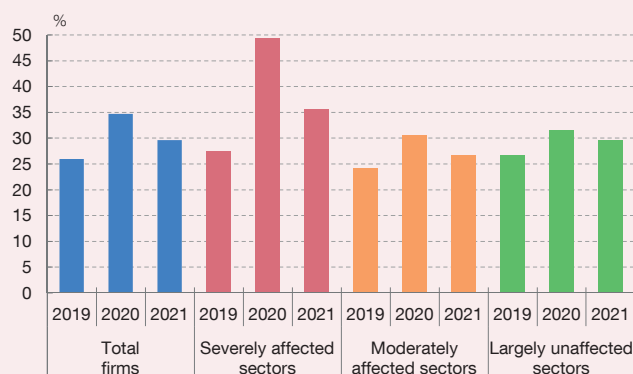


Chart 2  
PERCENTAGE OF FIRMS WITH NEGATIVE EQUITY  
Sectoral breakdown (b)

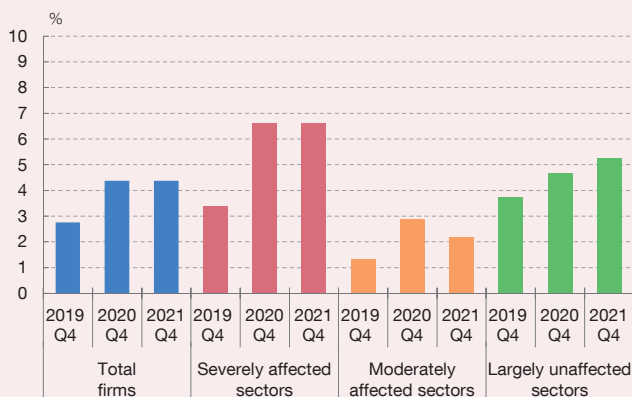


Chart 3  
PERCENTAGE OF VULNERABLE FIRMS ACCORDING TO THE NET DEBT/(NET DEBT + NET EQUITY) RATIO (c)  
Sectoral breakdown (b)

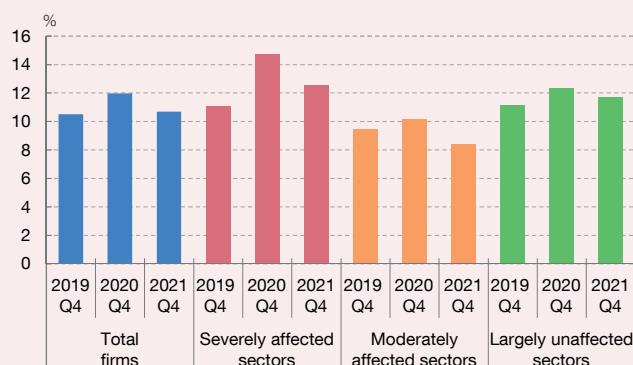
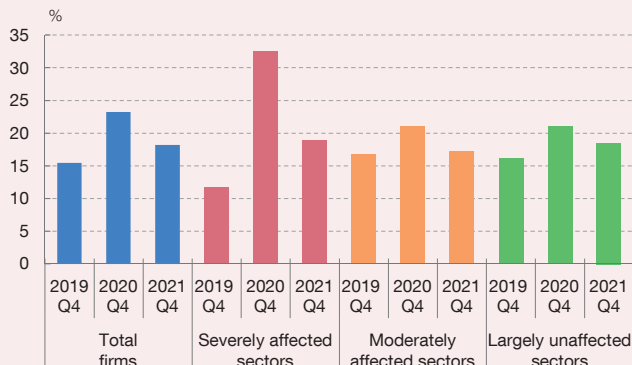


Chart 4  
PERCENTAGE OF VULNERABLE FIRMS ACCORDING TO THE NET DEBT/(GROSS OPERATING PROFIT + FINANCIAL REVENUE) RATIO (d)  
Sectoral breakdown (b)



SOURCE: Banco de España.

- Return on assets is defined as the ratio (ordinary net profit + financial costs) / assets net of non-interest-bearing borrowing.
- Sectors are defined as severely affected by COVID-19 if their turnover fell by more than 15% in 2020 and as moderately affected if their turnover fell by between 9% and 15%. Other sectors are deemed to be largely unaffected. Holding companies and head offices are excluded.
- Net financial debt is defined as interest-bearing borrowing minus cash and cash equivalents. Firms are defined as more vulnerable if their net financial debt/(net financial debt + equity) ratio is above 0.75.
- Firms are defined as more vulnerable if their net financial debt/(gross operating profit + financial revenue) ratio is above 10, or they have positive net financial debt and zero or negative earnings.

1 For further details, see A. Menéndez and M. Mulino: "Economic and financial performance of Spanish firms in 2020 and 2021 according to the Central Balance Sheet Data Office".

2 Sectors are defined as severely affected by COVID-19 if their turnover fell by more than 15% in 2020 and as moderately affected if their turnover fell by between 9% and 15%. Other sectors are deemed to be largely unaffected. Holding companies and head offices are excluded.



**RECENT DEVELOPMENTS IN THE FINANCIAL VULNERABILITY OF NON-FINANCIAL CORPORATIONS, DRAWING ON THE CENTRAL BALANCE SHEET DATA OFFICE QUARTERLY SURVEY (cont'd)**

First of all, the four indicators analysed confirm the significant rise in the degree of vulnerability seen in the corporate sector in 2020. Thus, the percentage of firms with negative profitability increased by some 9 pp to almost 35%, while the proportion of such firms with negative equity rose from 2.8% to 4.4% (see Charts 1 and 2). Along similar lines, there was also a rise in the number of firms with a high debt ratio, whether in relation to net assets, rising just over 1 pp to 12% (see Chart 3) or with respect to ordinary earnings, with a more marked increase, from 15.4% to 23.2%<sup>3</sup> (see Chart 4). The sectoral breakdown shows that such increases were much more pronounced in the sectors hardest hit by the economic fallout from the pandemic, in which, for example, the percentage of firms with negative profitability reached 49% in 2020, up 21 pp on the level recorded one year previously, whereas the increases were much more moderate in the moderately affected or largely unaffected sectors.

The information from the CBQ for 2021 reveals that the proportion of firms in this sample in a vulnerable economic

and financial position based on the four indicators analysed declined or levelled off thanks to the recovery in business activity observed over the year. Thus, the proportion of firms with negative profitability fell 5 pp in 2021, to stand at 29.6%, while the percentage with negative equity held steady at 4.4% (see Charts 1 and 2). There was also a decline in the proportion of firms with high debt ratios, down 1 pp on the previous year to 10.7% and, above all, in relation to ordinary earnings, which saw a 5 pp decrease to 18.2% (see Charts 3 and 4). Nonetheless, in all cases such percentages remained above their 2019 levels, indicating that the degree of vulnerability is still greater than that seen just before the pandemic. The sectoral breakdown reveals that, in general, improvements were more pronounced in the sectors hardest hit by the crisis, which, as noted above, were those that suffered the most in 2020. For instance, the proportion of firms in this group with high debt-to-ordinary earnings ratios fell by more than 14 pp in 2021, to stand at 18.9%.

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<sup>3</sup> Firms are defined as more vulnerable due to high debt ratios if their net financial debt / (net financial debt + equity) ratio is above 0.75, or their net financial debt/(gross operating profit + financial revenue) ratio is above 10, or they have positive net financial debt and zero or negative earnings. Net financial debt is defined as interest-bearing borrowing minus cash and cash equivalents.