RESULTS OF NON-FINANCIAL CORPORATIONS IN 2005 AND IN THE FIRST THREE QUARTERS OF 2006

Results of non-financial corporations in 2005 and in the first three quarters of 2006[1]

Overview

Following the practice of previous years, the January *Economic Bulletin* of the Banco de España gives the results for 2005 of the corporations contributing to the Central Balance Sheet Data Office Annual Survey (CBA) and those for the first three quarters of 2006 of the corporations contributing to the Central Balance Sheet Data Office Quarterly Survey (CBQ). The latter can be considered a preliminary indicator of the 2006 results, which will be completed in April 2007 with the publication of the CBQ results for the four quarters of the year and, finally, in January 2008, with the release of the CBA results for 2006.

Table 1 and Chart 1 show that the CBA results for 2005 are consistent with those released earlier by the CBQ, which suggested that during that year the rates of change of the reporting corporations were positive but lower than those of the previous year (GVA increased by around 4% in 2005, against 7.5% in 2004). This is not entirely consistent with the annual and quarterly Spanish National Accounts, according to which the estimated GVA of non-financial corporations grew by 6% in 2005. This disparity highlights the limitations of the CBSO samples in capturing the performance of the economy as a whole when, as in 2005, circumstances negatively affect the growth of the companies overrepresented in these samples. Despite this, the CBSO databases continue to show that they are valid for analysing the results of Spanish corporations, with a special focus on their financial revenue and costs, their profitability and their extraordinary results, which influence the amount of dividends distributed, and, furthermore, continue to demonstrate that they are suitable for studying the course of the debt and debt burden borne by Spanish corporations. Among these circumstances coinciding with the 2005 data was the negative effect of the continual oil price rises on corporations using oil as an input (basically transport[2] and industrial firms, both well represented in the CBSO samples), despite the fact that the refining GVA continued to grow rapidly, although 20 pp below the 2004 rate. Also, it should be kept in mind that the activities which, according to other sources, were the most buoyant in 2005 (construction and other services) are not well represented in the CBSO samples. As indicated in Box 2, the database kept by the CBSO with information on accounts reported to mercantile registers (CBB) contains evidence of the buoyancy of construction and of other services, the GVA of which, on CBB data, grew by nearly 7% in 2005 with respect to 2004.

Meanwhile, the highly positive behaviour seen in the CBQ in the first three quarters of 2006 points to growth in activity consistent with that shown by alternative indicators and reflected in GVA growth of 6.9%. This trend was apparent in all the sectors analysed. The most notable developments were the increases posted by wholesale and retail trading firms and by transport and communications firms, buoyed by the vigour of private consumption. To this was added the positive performance of industrial corporations since early 2006, which concords with the behaviour of capital goods investment reflected by other sources and with the re-

1. The information for 2005 used to compile this article is a summary of that included in the publication *Banco de España. Resultados anuales de las empresas no financieras 2005*, released by the Banco de España on 29 November 2006. The data used for this publication were provided by the 6,671 corporations that contributed to the Central Balance Sheet Data Office annual survey (CBA) to end-October 2006. The accounts of the first three quarters of 2006 were prepared from the information reported to the quarterly survey (CBQ) by the 737 corporations which, on average, had sent their data by mid-November 2006. The CBA sample represents 25.2% of total activity of the non-financial corporations sector, while the coverage of the CBQ sample is around 13.1%. **2.** These were also affected by the restructuring of rail transport under Law 39/2003, which, inter alia, resulted in higher maintenance and operating costs for the restructured corporations in 2005.

PROFIT AND LOSS ACCOUNT. YEAR-ON-YEAR CHANGES AND PROFIT RATIOS TABLE 1
Growth rates of the same corporations on the same period a year earlier

	CBA STRUCTURE	CBA		CBQ (a)		
DATABASES	2005	2004	2005	05 Q1-Q4/ 04 Q1-Q4	05 Q1-Q3/ 04 Q1-Q3	06 Q1-Q3/ 05 Q1-Q3
Number of corporations		8.923	6.671	794	805	737
Total national coverage		31.8%	25.2%	14.3%	14.8%	13.1%
PROFIT AND LOSS ACCOUNT						
1. VALUE OF OUTPUT (including subsidies)	100.0	8.3	10.8	12.8	12.4	12.5
Of which:						
— Net amount of turnover and other operating income	*137.1*	*8.8*	*12.1*	*16.1*	*15.7*	*12.1*
2. INPUTS (including taxes)	68.9	8.8	14.2	17.9	17.6	15.4
Of which:						
— Net purchases	*41.6*	*12.1*	*16.6*	*20.5*	*21.1*	*15.1*
— Other operating costs	*27.3*	*4.8*	*12.0*	*12.6*	*11.0*	*8.3*
S.1. GROSS VALUE ADDED AT FACTOR COST [1 – 2]	31.1	7.5	3.9	3.7	3.4	6.9
3. Personnel costs	15.7	4.7	5.3	3.8	3.7	4.9
S.2. GROSS OPERATING PROFIT [S.1 – 3]	15.4	10.7	2.6	3.6	3.3	8.4
4. Financial revenue	3.5	14.4	26.6	35.0	29.5	7.0
5. Financial costs	2.7	-3.6	9.5	5.0	5.0	29.1
6. Depreciation and operating provisions	6.1	2.4	-0.1	-0.1	-0.9	2.3
S.3. ORDINARY NET PROFIT [S.2 + 4 – 5 – 6]	10.2	23.1	9.8	14.7	12.4	6.1
7. Capital gains and extraordinary revenue	4.6	-31.8	33.2	31.8	84.6	81.1
8. Capital losses and extraordinary expenses	4.0	-2.7	30.9	72.9	86.4	-7.2
9. Other (provisions and taxes)	3.2	-16.6	-9.4	-23.6	-19.6	92.8
S.4. NET PROFIT [S.3 + 7 – 8 – 9]	7.6	19.0	23.2	27.7	25.9	19.4
NET PROFIT/GVA (S.4/S.1)		19.8	24.4	29.4	29.1	32.8
PROFIT RATIOS	Formulas (b)					
R.1 Return on investment (before taxes)	(S.3 + 5.1)/NA	8.2	8.7	8.9	7.8	8.9
R.2 Interest on borrowed funds/ interest-bearing borrowing	5.1/IBB	3.6	3.7	3.7	3.7	3.8
R.3 Ordinary return on equity (before taxes)	S.3/E	11.9	12.7	13.4	11.4	14.1
R.4 ROI - cost of debt (R.1 – R.2)	R.1 – R.2	4.6	5.0	5.2	4.1	5.1

SOURCE: Banco de España.

a. All the data in these columns have been calculated as the weighted average of the quarterly data.
b. The variables in the formulas are expressed as absolute values. 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 that portion of financial costs which is interest on borrowed funds (5.1) and not commissions or cash discounts (5.2).
Note: In calculating rates, internal accounting movements have been edited out of items 4,5 and 9.

bound of external activity, largely as a consequence of the recovery of the main economies in the euro area.

Employment performed positively both in 2005 and in the first three quarters of 2006. Thus the CBA data for 2005 showed an increase of 2.7% in the average number of employees, which is similar to that of 2004 and the highest growth rate since 2000. Contributing particularly to this growth was trade, since shopping centres have continued at a brisk pace. Employment in transport and communication was up slightly, and that of energy and particularly industrial firms was down. The CBQ data for the first three quarters of 2006 show employment growth of 1.7%, in line with the positive behaviour of activity. It is appropriate to assess this figure within the framework of the characteristics of the CBQ corporations, which exhibit more moderate employment behaviour than that subsequently confirmed by the CBA data (the CBQ employment growth rate for the four quarters of 2005 is 0.7%, against the aforementioned CBA figure of 2.7% for 2005). As in 2005, and for the same reasons, wholesale and retail trade

NON-FINANCIAL CORPORATIONS REPORTING TO THE CENTRAL BALANCE SHEET DATA OFFICE

CHART 1

REPORTING NON-FINANCIAL CORPORATIONS		2001	2001	2002	2003	2004	2005
Number of corporations	CBA	8,414	8,418	8,834	8,923	6,671	—
	CBQ	856	846	829	817	794	737
% of GDP of the sector non-financial corporations	CBA	29.1	29.0	29.9	31.8	25.2	—
	CBQ	15.4	15.4	14.9	14.8	14.3	13.1

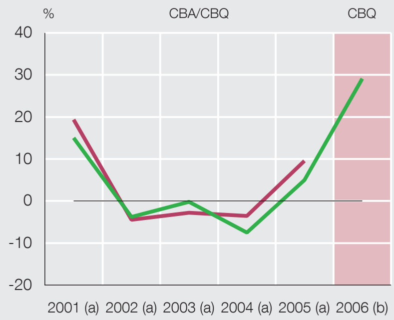
SOURCE: Banco de España.

a. 2001, 2002, 2003, 2004 and 2005 data are the average data of the four quarters of each year (CBQ) in relation to the previous year for the corporations reporting to the annual survey (CBA).
b. Average of the first three quarters of 2006 relative to the same period in 2005.

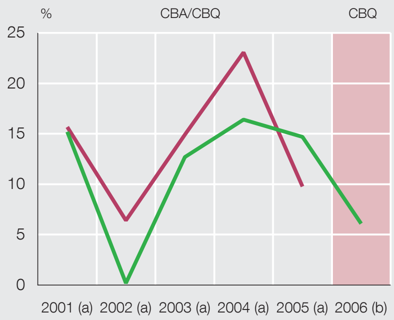
firms continued to create the largest number of jobs, while in the other sectors employment moved at negative rates, albeit near zero. A staff reduction of 15,000 employees by a large communications corporation, which was initiated in 2003 and will not end until 2007, largely explains this low employment figure per the CBQ in the last few years and will continue to affect it until this redundancy process is completed. Average compensation changed at moderate rates both in 2005 and in the first three quarters of 2006. Personnel costs, which reflect the overall variation in employment and average compensation, increased by nearly 5% both in 2005 and in the first three quarters of 2006. This meant that gross operating profit (GOP) in 2005 grew by 2.6%, clearly below the 10.7% of the previous year, and that in the first three

NON-FINANCIAL CORPORATIONS REPORTING TO THE CENTRAL BALANCE SHEET DATA OFFICE (cont'd) CHART 1

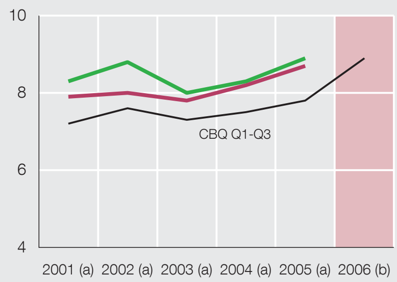
FINANCIAL COSTS
Rate of change



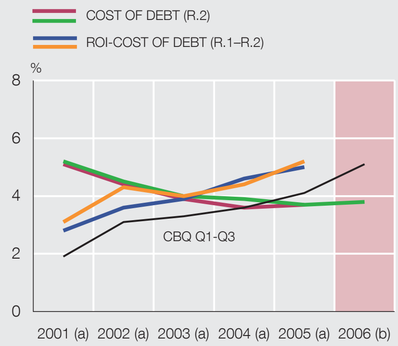
ORDINARY NET PROFIT
Rate of change



RETURN ON INVESTMENT (R.1)
Ratios



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



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non-financial corporations	CBQ	15.4	15.4	14.9	14.8	14.3	13.1

SOURCE: Banco de España.

a. 2001, 2002, 2003, 2004 and 2005 data are the average data of the four quarters of each year (CBQ) in relation to the previous year for the corporations reporting to the annual survey (CBA).
b. Average for the first three quarters of 2006 in relation to the same period in 2005.

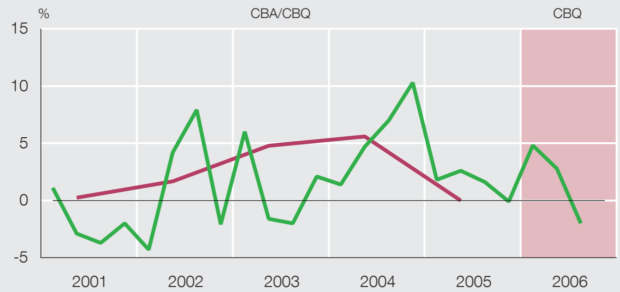
quarters of 2006 GOP increased by 8.4%, reflecting the expansion of productive activity in this period.

Analysis of financial revenue and costs also produced a very different picture for the two periods under consideration. Thus 2005 saw a sharp increase in financial revenue, mainly as a result of an inflow of dividends from foreign subsidiaries, while financial costs grew moderately. However, in 2006 Q1-Q3 there was a smaller increase in financial revenue and considerable growth in financial costs (nearly 30%), mainly due to the inflow of borrowed funds, against a background of interest rates, which, although they have began to rise gradually, remain at

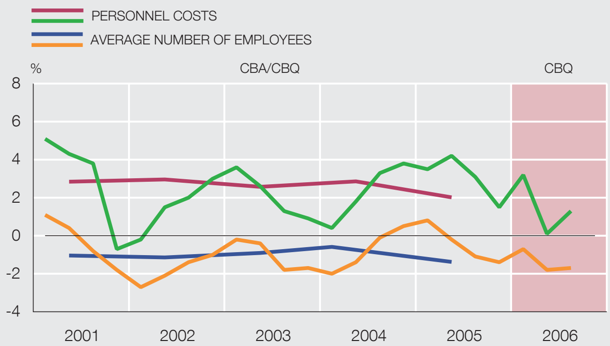
The data gathered by the Central Balance Sheet Data Office showed that industrial sector activity stagnated in 2005, whereas in 2004 its GVA had grown by 5.6%. This downturn reflects the impact on the sample corporations of the circumstances referred to in the Introduction. The slowdown affects all sub-sectors, although it is most marked in the sector "manufacture of transport equipment", the GVA of which fell by 6.6% with respect to 2004. This situation gave way, in the first three quarters of 2006, to an increase of 2.4% in the GVA of industrial corporations, which was around one percentage point more than the CBQ figure for 2005 as a whole. The across-the-board improvement shown by industrial firms in 2006 was underpinned by greater buoyancy of external activity (which led to a substantial increase in exports) and by the positive performance of investment in capital goods, and resulted in particularly strong GVA growth in the sub-sectors "manufacture of electrical, electronic and optical equipment" and "manufacture of glass, ceramics and metal products", with increases of 10.4% and 13.4%, respectively. This growth was not widespread. Hence, both the sector "food products, beverages and tobacco" (affected by the impact on demand of the entry into force of the anti-tobacco law) and the sector "manufacture of transport equipment" saw sizeable fall-offs in GVA of 13.7% and 6%, respectively. Net increases in employment were again conspicuously absent in industrial corporations, with negative rates in 2005 and 2006 Q1-Q3 (-1.4 in both periods). Both these rates, particularly that of 2006, strongly reflect the sharp staff reductions in those sub-sectors that also showed negative growth in activity. Hence, in 2006 Q1-Q3 firms in the "manufacture of transport equipment" and "food products, beverages and tobacco" sectors reduced staff by 3.2% 4.6% respectively, whereas the other aggregates of firms held their staff numbers unchanged or raised them notably (as in "chemical industries" and "manufacture of electrical, electronic and optical equipment"), but fell short of fully offsetting the aforementioned falls. Average compensation in industry grew by

PERFORMANCE OF THE INDUSTRIAL CORPORATIONS REPORTING TO THE CBSO

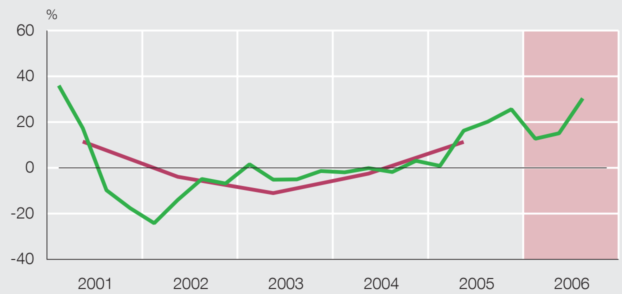
GROSS VALUE ADDED AT FACTOR COST
Rate of change



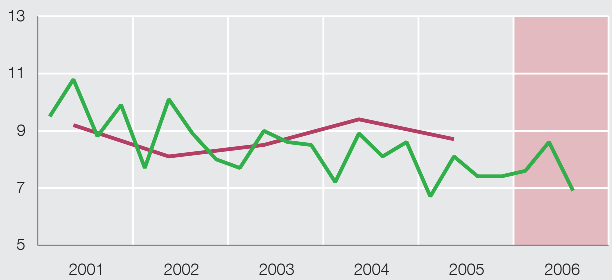
EMPLOYMENT AND WAGES
Rate of change



FINANCIAL COSTS
Rate of change



RETURN ON INVESTMENT
Ratios



REPORTING INDUSTRIAL CORPORATIONS		2001				2002				2003				2004				2005				2006			
Number of corporations	CBA	2,814				2,715				2,624				2,507				1,909				—			
	CBQ	401	391	379	362	389	375	365	354	366	361	352	344	350	342	335	332	321	308	299	288	315	289	213	—
% of GDP of the sub-sector industrial corporations	CBA	28.2				27.9				28.5				29.3				23.0				—			
	CBQ	21.5	21.2	18.8	20.1	19.6	20.6	18.6	18.5	18.8	19.1	17.1	17.7	19.4	19.9	17.9	19.2	18.9	19.5	16.7	17.5	18.4	17.8	11.2	—

SOURCE: Banco de España.

3.4% in 2005 and, on the information available to September 2006, by 3% in 2006 Q1-Q3, in line with behaviour described for the sample corporation total. The changes in compensation and employment led to increased personal costs (up by nearly 2%) both in 2005 and in 2006 to September. As a result of the behaviour of productive activity and personal costs combined with that of net financial revenue, ordinary net profit in 2005 showed rates of change that were positive but lower than in the previous year, since, unlike in the sample corporation total, net financial revenue did not offset the falls in activity, whereas the CBQ data for 2006 show increases in ordinary net profit of about 2%. This performance permitted profit ratios in 2006 to resume an upward trend following the fall of the previous year. Thus return on investment to September 2006 stood at 8.2%, up 0.4 pp on the same period a year earlier. Since the ratio approximating the financial cost held at low levels that were similar in 2005 and 2006, the difference between return on investment and cost was positive and tended to move upwards in 2006 Q1-Q3. In sum, Spanish industry underwent a slowdown in activity in 2005, under the effects of higher oil costs (which imply narrower margins and production cuts), in an international setting of growing competition. By contrast, 2006 is more buoyant, with clearly higher activity in most sectors, impelled by the pick-up in capital goods investment and the improvement in exports, against a background of moderate growth in wage costs. This recovery has yet to pass through to employment, largely because of the staff reductions in the industrial sub-sectors whose activity has trended negatively in the recent past. Also, the performance of the industrial corporations reporting to the Central Balance Sheet Data Office reflects the increase in capital goods investment and the greater buoyancy of exports, and they are posting returns in line with those of the other corporations in the sample.

historically low levels. Noteworthy within this greater borrowing, which raised financial costs in 2006, was an increase of €25,000 million in the debt of a large communications corporation to finance the take-over of a European firm in the sector. This transaction accounts for more than half of the aforementioned increased financial costs. As a result of the changes in financial revenue and costs, ordinary net profit (ONP) grew by 9.8% in 2005 and by 6.1% in the first three quarters of 2006. In any event, the overall growth of ONP and financial costs (the numerator used to calculate the return on investment) was near 10.5% in both periods, which, given the changes in net assets, sufficed for corporations to continue posting levels of return on investment (8.7% in 2005 and 8.9% up to September in 2006) higher than in previous periods. At the same time, the ratio that approximates the cost of borrowed funds held at levels below 4% in both 2005 and 2006 Q1-Q3, allowing the difference between ROI and the cost of debt to remain at values that were positive and growing (5 in 2005, and 5.1 in 2006 Q1-Q3) in comparison with the preceding periods. This is possibly the best indicator of the profitability of the sample corporations in recent times.

The items composing extraordinary results in 2005 added to the growth of final net profit – the amount of which influences the distribution of dividends – as a result of certain substantial gains on fixed asset sales and of the reversal of provisions recorded in prior years in connection with investments abroad by certain large corporations. As a result of all this, final net profit increased in 2005 by 23.2% and stood at 24.4% of gross value added, an all-time high for the CBA series. Moreover, 2006 brought another increase in extraordinary results, basically due to gains on share sales by certain Spanish multinationals, which gave rise to growth of 19.4% in the total net result. This positive performance of extraordinary results to September 2006 took place despite extraordinary share portfolio provisioning in this period at certain Spanish holding companies, in order to reflect the lower market value of their foreign subsidiaries. The growth of final net profit in 2006 Q1-Q3 is slightly below that a year earlier, although it must be evaluated against the background of high growth of this balance since 2003. Additional evidence for the high level of final net profit of corporations in 2006 Q1-Q3 is that it represents 32.8% of GVA, a historical high in the CBQ series. Finally, it should be noted that the behaviour of final net profit as measured by the CBSO is consistent with that of the final net profit implicit in the statistics disseminated by the CNMV on the results of listed companies, when the

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

TABLE 2.A

	GROSS VALUE ADDED AT FACTOR COST				EMPLOYEES (AVERAGE FOR PERIOD)				PERSONNEL COSTS				COMPENSATION PER EMPLOYEE			
	CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)		
	2005	05 Q1 -Q4	05 Q1 -Q3	06 Q1 -Q3	2005	05 Q1 -Q4	05 Q1 -Q3	06 Q1 -Q3	2005	05 Q1 -Q4	05 Q1 -Q3	06 Q1 -Q3	2005	05 Q1 -Q4	05 Q1 -Q3	06 Q1 -Q3
Total	3.9	3.7	3.4	6.9	2.7	0.7	0.6	1.7	5.3	3.8	3.7	4.9	2.5	3.1	3.1	3.1
SIZE																
Small	4.3	—	—	—	-0.2	—	—	—	4.0	—	—	—	4.2	—	—	—
Medium	4.7	3.4	1.8	7.6	1.9	0.6	0.4	1.4	5.7	4.5	4.4	5.6	3.8	3.9	4.0	4.1
Large	3.8	3.7	3.5	6.9	2.9	0.7	0.6	1.8	5.3	3.8	3.6	4.8	2.3	3.1	3.0	2.9
BREAKDOWN OF ACTIVITIES BEST REPRESENTED IN THE SAMPLE																
Energy	13.0	10.5	9.3	14.4	-0.7	-0.7	-0.8	-0.5	4.5	3.5	3.2	3.7	5.2	4.2	4.0	4.2
Industry	0.0	1.5	2.0	2.4	-1.4	-0.4	-0.2	-1.4	2.0	3.1	3.6	1.6	3.4	3.5	3.8	3.0
Wholesale and retail trade	5.2	3.3	2.2	7.2	5.3	2.7	2.3	4.2	7.3	4.3	4.4	7.5	1.9	1.6	2.1	3.2
Transport and communications	0.1	0.4	0.7	4.2	0.2	-0.6	-0.6	-0.2	3.6	2.8	2.5	3.7	3.4	3.4	3.1	3.9

SOURCE: Banco deEspaña.

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

figures are expressed in comparable terms, i.e. for the same firms and the same scope of operations. In this respect, the CNMV disseminates the results of listed Spanish corporate groups (which include firms resident abroad), whether they be financial or non-financial, whereas the CBSO disseminates the results of resident individual firms (but not of non-resident individual firms owned by Spanish multinational groups) that are non-financial (i.e. not banks and other financial institutions), whether listed or not. In addition, the number of listed non-financial corporate groups in the CNMV statistics is approximately 150, whereas the CBQ analyses around 800 non-financial individual firms.

In sum, the activity of the non-financial corporations reporting to the CBSO showed rates of change in 2005 that were positive but different from usual in being lower than those of the annual and quarterly Spanish accounts. This was because of a number of circumstances such as oil price rises and the slowdown in industry, which adversely affected the corporations best represented in the sample. In 2006 Q1-Q3, the reporting corporations returned to a more expansionary path, with clearer and more general increases in GVA, thanks to the strength of domestic demand and to the vigour of investment in capital goods, to which was added the improvement in external activity. All this was accompanied by ongoing solid job creation, against a background marked by a certain moderation in wage costs in both 2005 and 2006 Q1-Q3. Also, in 2005 the inflow of financial revenue (dividends) and the moderate behaviour of financial costs lifted the growth of ordinary results to a rate exceeding that of the surplus generated by productive activity. By contrast, in 2006 the moderate increase in financial revenue and significant rise in financial costs meant that ordinary results grew less than the surplus from productive activity. In short, in 2005 the performance of net financial revenue counteracted the moderate growth of productive activity, while in 2006 Q1-Q3 the opposite occurred. As a result of all this, the return on investment continued to perform very favourably, which, together with the moderation of interest rates, permitted returns on equity of 12.7% in 2005 and 14.1% in 2006. These rates are evidence that the conditions are right for productive investment to continue to increase. Thus there is a favourable environment for business activity,

EMPLOYMENT AND PERSONNEL COSTS
Details based on changes in staff levels

TABLE 2.B

		TOTAL CBQ CORPORATIONS 2006 Q1 - Q3	CORPORATIONS INCREASING (OR NOT CHANGING) STAFF LEVELS	CORPORATIONS REDUCING STAFF LEVELS
Number of corporations		737	450	287
PERSONNEL COSTS				
Initial situation 05 Q1-Q3 (€m)		17,561.0	9,933.9	7,627.1
Rate 06 Q1-Q3/ 05 Q1-Q3		4.9	9.4	-1.1
AVERAGE COMPENSATION				
Initial situation 05 Q1-Q3 (€m)		30,798.3	27,694.6	36,062.0
Rate 06 Q1-Q3/ 05 Q1-Q3		3.1	3.4	4.5
NUMBER OF EMPLOYEES				
Initial situation 05 Q1-Q3 (000s)		570	359	211
Rate 06 Q1-Q3/ 05 Q1-Q3		1.7	5.9	-5.3
Permanent	Initial situation 05 Q1-Q3 (000s)	480	287	193
	Rate 06 Q1-Q3/ 05 Q1-Q3	0.1	2.9	-4.1
Non-permanent	Initial situation 05 Q1-Q3 (000s)	90	72	18
	Rate 06 Q1-Q3/ 05 Q1-Q3	10.2	17.6	-18.2

SOURCE: Banco de España.

in which the main uncertainties continue to be the achievement of ongoing growth in industry and the consolidation of the recent moderation in oil prices.

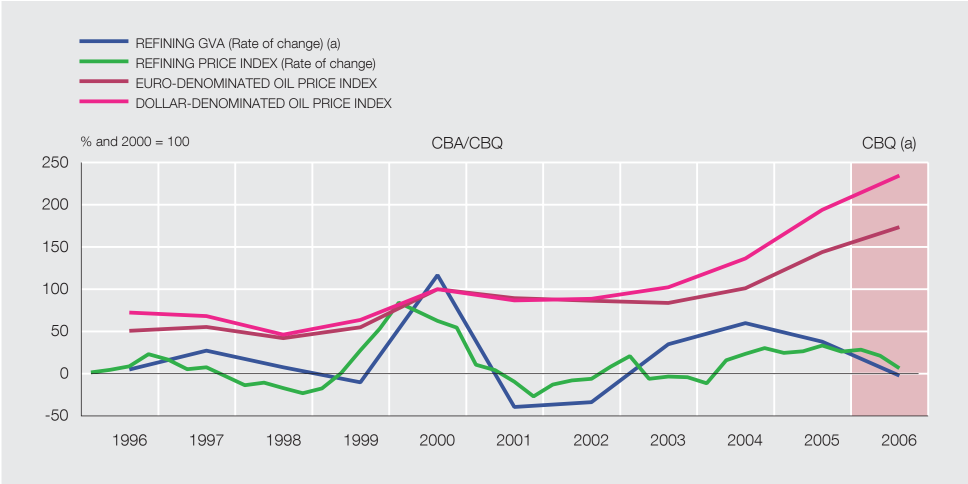
Activity

Productive activity, as measured by GVA growth, increased by 3.9% in 2005 (see Table 1 and Chart 1), compared with 7.5% in 2004. This took place against a background of sharper sales growth in which corporations raised their 2005 turnover by 12.1%, as against 8.8% in 2004. However, this was offset by a significant increase in inputs, which, at a rate of change of 14.2%, indicated that the impact of oil price rises was lower. The impact of these rises on most sectors of this corporate aggregate can be seen in Chart 2, which sets out these prices since 1996 and shows that oil prices peaked in 2006 with growth rates in euro of 42.2% in 2005 and 26.4% in 2006 Q1-Q3. Also, certain sectors not sufficiently represented in the CBA sample, such as construction and market services, were, according to the National Accounts, the most buoyant ones that year. By contrast, in 2006 the Q1-Q3 picture improved appreciably and the CBQ corporations showed notable growth in productive activity with an increase in GVA of 6.9% in nominal terms, against 3.4% in the same period of 2005. This performance meant that the growth rate of sales in Spain remained strong, as evidenced by the first-half results and by the improved net external demand (see Table 3), which improved notably with respect to the same period a year earlier.

Sectoral analysis of activity in 2005 shows that all corporate groupings except energy posted lower GVA increases than in the preceding periods, in line with the results obtained for the total sample. By contrast, 2006 Q1-Q3 saw an across-the-board increase in activity in all sectors (see Table 2.A), particularly in wholesale and retail trade and in energy. The nominal increase of 7.2% in the GVA of wholesale and retail trade is a reflection of the continued strength of private consumption, whereas the 14.4% growth of energy corporations coincided, on the one hand, with a fall of 2.4% in refining GVA as a result of the narrower margins in 2006 following the sharp rises in 2004 and 2005 (rates of 57.6% and 37.8%, respectively), and, on the other, a rise of 19.6% in the GVA of electricity, gas and water

IMPACT OF OIL PRICES ON THE REFINING SECTOR

CHART 2



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

a. The 2006 data relate to the CBQ.

utilities, explained by the lower production costs of electric utilities and by the expansion of the gas sector in 2006 Q1-Q3[3]. Meanwhile, the GVA of transport and communications corporations grew by 4.2% in 2006, much higher than in the same period of 2005 (0.7%), spurred by the activity of telecommunications corporations in response to the positive behaviour of domestic demand, to which can be added certain major transport corporations, which have begun to recover in recent months following the narrowing of their margins as a result of the 2005 fuel price hikes. The GVA of industry increased by 2.4%, one percentage point higher than in the same period of 2005, which is consistent with the increase in demand for capital goods shown by alternative sources and with the greater buoyancy of external activity. Table 3 shows that the net external demand of industry increased in 2006 Q1-Q3 by 17.2%, compared with a decrease of -2.6% in the same period of 2005.

Finally, Chart 3 shows the distribution of corporations according to the rate of change of GVA, independently of their size or economic sector. It shows that 62% of corporations increased their GVA, against 57% in the previous year.

Employment and personnel costs

Personnel costs increased similarly in 2005 and 2006 Q1-Q3, with rates near to 5%. In the case of the annual data, the growth in 2005 was half a percentage point higher than in 2004, while the CBQ data show a slight rise compared with the previous year, which was due to the increase in employment in 2006 Q1-Q3, since personnel costs per employee remained steady.

Employment showed positive rates of change in the reporting period, specifically 2.7% in 2005 according to the CBA, and 1.7% in 2006 Q1-Q3 according to the CBQ. Sectorally, this

3. The production costs of electric utilities fell in 2006 thanks to improved exploitation of hydroelectric power stations and to a sharp increase in the use of combined cycle power stations – more efficient than traditional thermal power stations – against a background of growing electricity consumption (which, according to REE, grew by 3.9% to September 2006). Also, the sales of gas corporations expanded strongly as a result of a sharp increase in demand for natural gas in the period under analysis.

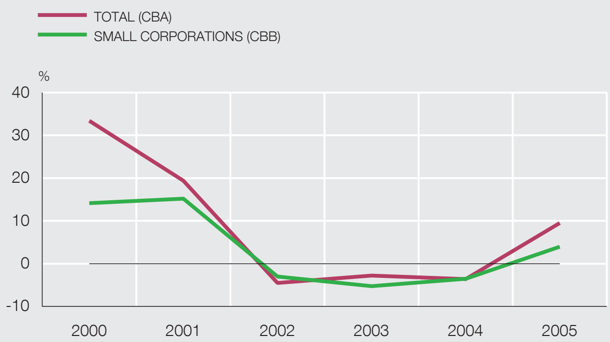
As is customary in the monograph on the latest reporting year ended (2005 in this case), which coincides with the dissemination of data on the first three quarters of the current reporting year, this box briefly analyses the performance of small corporations up to the latest reporting year ended. The data are drawn from the database that the Central Balance Sheet Data Office has constructed from information on the accounts lodged with the Mercantile Registries (CBBE/RM or CBB)[1]. The tables used as a basis for this box are published in an annex to the annual monograph. This information provides a knowledge of the behaviour of a segment of non-financial corporations that is difficult to study using other databases in the Central Balance Sheet Data Office, with the advantage that the CBB offers a very large sample (nearly 450,000 in 2004, the latest database to reach its data cut-off date, and more than 72,000 in 2005). This large sample to some extent makes up for the lag with which these data are received (the CBB is an annual database) and for the smaller amount of detail than the CBA and the CBQ. The aggregate analysed in this database is, moreover, complementary to the annual database, since the CBB excludes any corporation that may have sent its data directly as a CBA reporting corporation. It should also be kept in mind that, despite their high number, the CBB coverage is small and in 2004 and 2005 account for 16.6% and 2.6%, respectively, of the GVA of the non-financial corporations sector.

1. The Central Balance Sheet Data Office considers small corporations to be those with fewer than 50 employees. This criterion is followed in delimiting the aggregates used to prepare the monograph tables based on CBB data and in carrying out the analysis contained in this box.

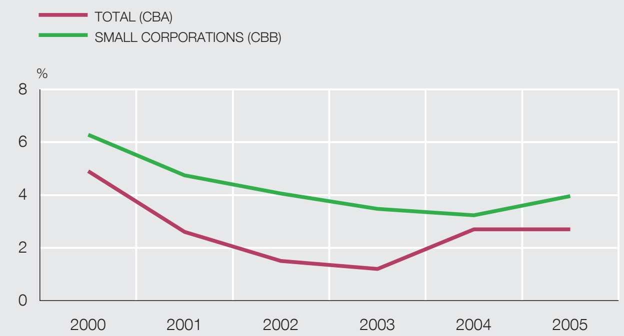
RESULTS OF SMALL CORPORATIONS

GROSS VALUE ADDED AT FACTOR COST
(Rate of change)

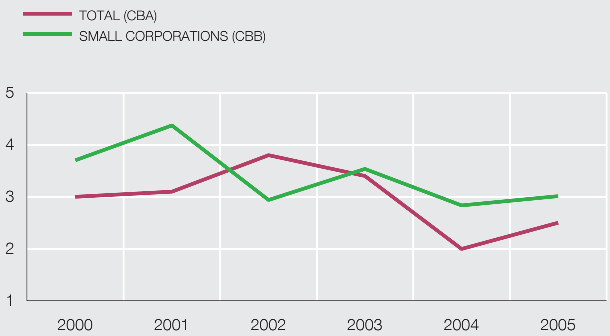
FINANCIAL COSTS
(Rate of change)



EMPLOYMENT
(Rate of change)



PERSONNEL COSTS PER EMPLOYEE
(Rate of change)



		2000	2001	2002	2003	2004	2005
Number of corporations	CBA	8,487	8,414	8,418	8,834	8,923	6,671
	CBB (a)	231,651	245,620	319,958	374,874	441,859	72,390
% of GDP of the sector non-financial corporations	CBA	30.4	29.6	29.5	30.4	32.2	25.6
	CBB (a)	10.6	10.8	13.1	15.0	16.6	2.6

SOURCE: Banco de España.

a. In the case of the "Employment" and "Personnel Costs per Employee" charts, the data relate to the sub-set of corporations with consistent employment figures (65% of the CBB total).

According to the CBB, in 2005 the GVA of the aggregate of small corporations grew by 6.3%, nearly one percentage point more than in 2004. This pick-up in activity by the CBB corporations complements that recorded for the same year in the CBA, which was a slowdown, so the two databases taken together provide a more detailed picture than the annual/quarterly National Accounts for the non-financial corporations sector. The rebound in productive activity was across-the-board, although particularly notable in market services and construction, whose GVA grew at rates of 6.8% and 7.1%, respectively. Personnel costs rose by 7.8% in 2005, more than one percentage point higher than in 2004, mainly due to the behaviour of employment (growth of 4%), while wage costs moved much the same as in 2004, with growth rates of around 3%. The most notable sectors were once again construction and market services, which created jobs in line with the growth of their productive activity. They were also the sectors with the clearest trend towards wage moderation, as seen in the wage increases of around 3% and 2.3%, respectively, practically the same as in 2004. By contrast, yet another year the industrial sector saw small increases in employment (1.2%), although higher than in the previous year.

The behaviour of GVA and personnel costs in 2005 caused the gross operating profit of small corporations to grow by 2.1%, half a percentage point more than in 2004. Financial costs, after three years of continual decreases, rose by 4% in 2005. This rise was offset by the sharp increase in financial revenue (10.4%), with the result that net financial costs (financial costs less financial revenue) decreased by nearly 6%. This, together with the increase in depreciation (5.8%), meant that ordinary net profit in 2005 grew by practically zero, showing very similar behaviour to that of 2004. In any event, the overall change in ordinary net profit plus financial costs (the numerator used to calculate returns) permitted these corporations to record a return on equity (the only profit ratio that can be calculated from the information available in the CBB) of 8% in 2005. This was slightly lower than in 2004, thereby continuing the trend of progressive decline in this ratio in the CBB since the highs recorded by small corporations in 1999 (12.4%). Sectorally, it can be seen that both the industrial sector and the firms engaging in activities with low coverage in the sample suffered a deterioration in profitability in 2005, while market services and, in particular, construction, recorded returns on equity similar to or greater than those of the previous year.

In sum, generally the productive activity of the small corporations included in the Central Balance Sheet Data Office's CBB database increased in 2005 by more than in 2004. This enabled them to step up job creation, in a scenario of continuing moderate growth in wage costs. These positive developments were most notable in market services, and particularly in construction, which were the sectors that recorded increases in activity, employment and profitability in 2005. By contrast, industrial corporations in this database recorded more moderate changes in activity and employment, and a deterioration in profitability compared with previous years.

same pattern of no change or slight improvement is apparent in all the main sectors analysed except for the industrial sector, which recorded a fall in average employment as a result of the slowdown in activity and of the sharp staff reductions at some large corporations in certain sub-sectors (particularly manufacture of transport equipment), which worsened the deterioration in employment that has been in progress in this aggregate for some years. The rate of job creation in 2006 Q1-Q3, albeit small, is, according to the CBQ, higher than in the same period of 2005, which suggests that when CBA data become available for the whole of 2006, it will be nearly 3%; if so, this would confirm the trend in place for the last nine quarters. This growth consisted basically of an increase in non-permanent employment and was particularly significant in wholesale and retail trade, where, at 4.2%, it was nearly twice that in the same period a year earlier, due partly, as in 2005, to the continued high rate of new shopping centre openings. Staff numbers in the transport and communications corporations remained steady in 2005 and 2006 Q1-Q3, and were influenced by the staff reduction under way at a communications corporation mentioned in the Introduction[4]. As in previous periods, energy corporations continued to trim staff slightly in 2005 and in 2006 Q1-Q3, due to the restructuring under way in the electric utilities to adapt their operations to a deregulated market. In principle, the fall in employment in industry during 2006 Q1-Q3 (1.4%) contrasts with the positive trend in activity, but the data show that the workforce reduction is concentrated in the sub-sectors whose activity has performed negatively ("food products, beverages and

4. Excluding the effect of this process on the sample of corporations analyzed, the rates of change in the sector are 1.1% for 2006 Q1-Q3 and 0.4% for the same period of 2005.

PURCHASES AND TURNOVER OF CORPORATIONS REPORTING DATA ON PURCHASING SOURCES AND SALES DESTINATIONS

TABLE 3

Structure and rate of change

		CBA		CBQ (a)	
		2004	2005	05 Q1-Q3	06 Q1-Q3
Total corporations		6,671	6,671	737	737
Corporations reporting source/destination		6,671	6,671	708	708
Percentage of net purchases according to source	Spain	69.5	68.7	77.4	76.9
	Total abroad	30.5	31.3	22.6	23.1
	EU countries	16.6	15.4	14.4	13.8
	Third countries	13.9	15.9	8.3	9.4
Percentage of net turnover according to destination	Spain	85.3	86.3	88.7	87.9
	Total abroad	14.7	13.7	11.3	12.1
	EU countries	10.8	9.9	8.4	8.4
	Third countries	3.9	3.8	2.9	3.7
Change in net external demand (exports less imports), rate of change	*Industry*	-4.5	-18.8	-2.6	17.2
	Other corporations	-24.4	-43.4	-23.1	1.8

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

TABLE 4

Percentage of corporations in specific situations

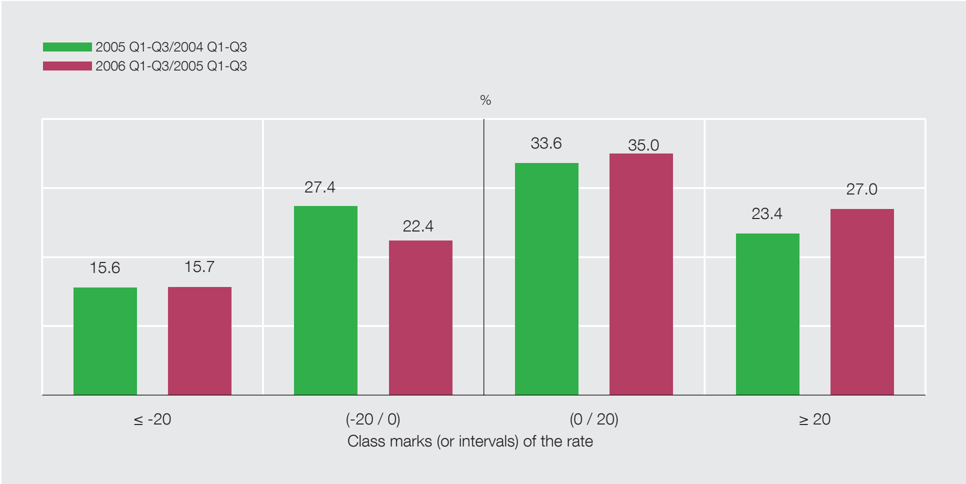
	CBA		CBQ (a)			
	2004	2005	04 Q1 - Q4	05 Q1 - Q4	05 Q1 - Q3	06 Q1 - Q3
Number of corporations	8,923	6,671	817	794	805	737
PERSONNEL COSTS	100	100	100	100	100	100
Falling	25.5	28.8	32.3	28.8	28.0	25.7
Constant or rising	74.5	71.2	67.7	71.2	72.0	74.3
AVERAGE NUMBER OF EMPLOYEES	100	100	100	100	100	100
Falling	31.6	31.6	44.4	40.8	40.9	38.4
Constant or rising	68.4	68.4	55.6	59.2	59.1	61.6
AVERAGE COMPENSATION RELATIVE TO INFLATION	100	100	100	100	100	100
Lower growth (b)	37.2	45.6	46.4	49.4	48.1	49.0
Higher or same growth (b)	62.8	54.4	53.6	50.6	51.9	51.0

SOURCE: Banco de España.

a. Weighted average of the relevant quarters for each column.
b. Twelve-month percentage change in the CPI for the CBA, and quarter-on-quarter precentage change in the CPI for the CBQ.

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

CHART 3



SOURCE: Banco de España.

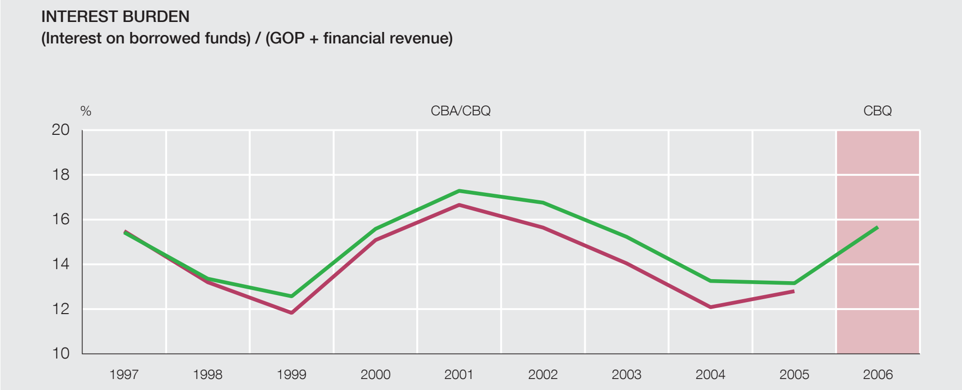
tobacco" and "manufacture of transport equipment", while the remainder performed positively. Finally, Table 4 shows that the sound trend in employment is becoming general in the majority of the sample corporations, since in 2006 Q1-Q3 61.6% of them increased their workforce or held it unchanged, nearly three percentage points more than in the same period of 2005.

Average compensation showed a certain moderation in the reporting period and stabilised at rates of around 3%. The CBA data for 2005 showed growth of 2.5% in wage costs, while the personnel costs per employee in the CBQ corporations increased by 3.1% in 2006 Q1-Q3, equal to the rise in the same period of 2005. Behaviour was very even across the sectors, among which the energy corporations were notable because their average compensation increased by more than that of the other sectors in the two periods analysed. As has become usual, the most moderate increases in 2005 were recorded by wholesale and retail trade corporations, although in 2006 Q1-Q3 their average compensation was in line with the sample average. Finally, Table 2.B, which lists separately the firms that create jobs and those that destroy them, shows that the firms that destroyed jobs in 2006 Q1-Q3 raised average employee compensation by 4.5%, and that those which created jobs or held their number unchanged raised average employee compensation by 3.4%.

Profits, rates of return and debt

The overall change in activity and personnel costs explains why gross operating profit grew by 2.6% in 2005, appreciably less than in the previous year, and by 8.4% in 2006 Q1-Q3. Financial costs increased by 9.5% in 2005 and by 29.1% to September 2006, this latter figure being largely explained by the exceptional transaction referred to in the Introduction. In addition to noting the growth of financial costs in absolute terms, it is of interest to look at how it is related to that of income from productive activity (except personnel costs), i.e. that of gross operating profit, plus financial revenue, so as to make it plain that the corporations are able to meet these costs out of the aforementioned funds. Chart 4, which portrays this relationship, shows that the levels reached in the reporting period do not exceed the highs of previous years, although a change of trend is discernible from 2005. Also, as has become customary, the reasons for the growth of financial costs in the periods analysed are set out in the following table:

INTEREST BURDEN CHART 4



	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
CBA	15.5	13.2	11.8	15.1	16.7	15.6	14.0	12.1	12.8	
CBQ	15.4	13.4	12.6	15.6	17.3	16.8	15.2	13.3	13.2	15.7

SOURCE: Banco de España.

	2005/2004	*06 Q1-Q3/05 Q1-Q3*
Change in financial costs	**9.5%**	**29.1%**
A. Interest on borrowed funds	*9.3%*	*30.1%*
1. Due to the cost (interest rate)	+2.1%	+2.7%
2. Due to the amount of interest-bearing debt	+7.2%	+27.4%
B. Commissions and cash discounts	*+0.2%*	*–1.0%*

The table shows that the growth of financial costs in 2005 and particularly in 2006 Q1-Q3 was mainly due to the inflow of new financing, although the recent interest rate rises have been gradually passing through to ratio R.2, which approximates the cost of debt borne by firms, which was slightly higher than in previous periods (see Table 1). The growth of debt was particularly steep in 2006 due to the aforementioned exceptional transaction. If the effect of this transaction were excluded, the increase in financing in 2006 Q1-Q3 would fall from 27.4% to approximately 14%, and financial costs in this period would grow by approximately half of what they did. Meanwhile, the general upward trend in debt is confirmed by analysis of ratio E1 (interest-bearing borrowing to net assets) in Chart 5, which shows a turning point and subsequent higher growth in 2006 Q1-Q3. Ratio E2, which relates the debt of firms to their ability to generate value added and thus indicates, among other things, their solvency, confirms that debt increased more sharply from the beginning of 2006 and was concentrated in multinational groups (MGs), on which the aforementioned transaction had a significant impact. The ratio E2 remained very steady in other corporations, so it can be concluded that the higher recourse to borrowing by corporations as a whole has not reduced their solvency, due to a positive performance of their productive activity.

The strong rise in financial revenue in 2005 contributed to the growth of 9.8% in ordinary net profit, a rate which, although far removed from the growth of 2004 (23.1%), is a high level of profit, given that since 1997 financial revenue has been growing (except in 2002) at positive rates which, in various years, have been very high. The slowdown in financial revenue in 2006

STRUCTURE OF THE PROFIT AND LOSS ACCOUNT

BOX 3

The Central Balance Sheet Data Office Quarterly Survey (CBQ) provides valuable information for gaining a better knowledge of the activity of firms and analysing developments in their main costs and in their profits, margins and profitability. For its part, the Central Balance Sheet Data Office Annual Survey (CBA) allows more varied and deeper analyses, but with the drawback of a greater time lag in the availability of data than the CBQ. Therefore, these two databases can be considered complementary, to the point that a link can be established between them by constructing a standard profit and loss account that is compatible with the two approaches (precisely the former used in Table 1 of this article). Obviously, this link requires the detail in the CBA to be reduced to the level of that available in the quarterly survey. However, foregoing this detail does not significantly detract from the conclusions that can be drawn from the main captions, since only certain items of a residual nature are affected. This is confirmed in the following table, which sets out the structure of the 2005 profit and loss account with all the CBA headings. The captions not available in the quarterly survey had been signalled by preceding them with a letter. As can be seen, they are all quantitatively very minor compared with the other expenses and revenues, which are available in both the CBA and the CBQ.

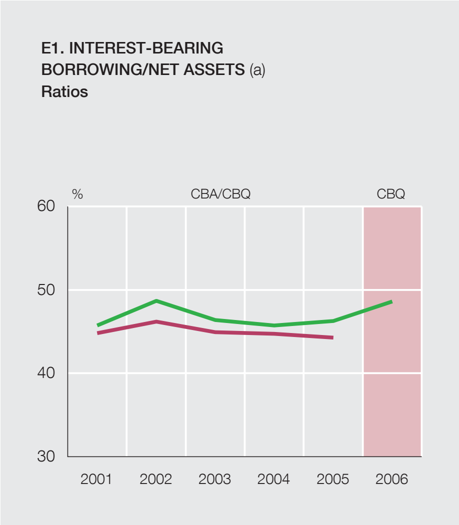
DATABASES	CBA 2005
Number of corporations	6,671
Total national coverage	25.2%
PROFIT AND LOSS ACCOUNT	
1. VALUE OF OUTPUT (including subsidies)	100.0
Of which:	
1.1 Net amount of turnover and other operating income	137.1
1.2 (–) Consumption (wholesale and retail trade and real estate sectors)	-39.4
1.a Other items (not available in CBQ)	2.3
2. INPUTS (including taxes)	68.9
Of which:	
2.1 Net purchases	41.6
2.2 Other operating costs	26.7
2.b Other items (not available in CBQ)	0.6
S.1. GROSS VALUE ADDED AT FACTOR COST (1 – 2)	31.1
3. Personnel costs	15.7
S.2. GROSS OPERATING PROFIT (S.1– 3)	15.4
4. Financial revenue	3.5
5. Financial costs	2.7
6. Depreciation and provisions	6.1
S.3. ORDINARY NET PROFIT (S.2 + 4 – 5 – 6)	10.2
7. Capital gains and extraordinary income	4.6
8. Capital losses and extraordinary expenses	4.0
9. Other (provisions and taxes)	3.2
S.4. NET PROFIT (S.3 + 7 – 8 – 9 – 10)	7.6

SOURCE: Banco de España.

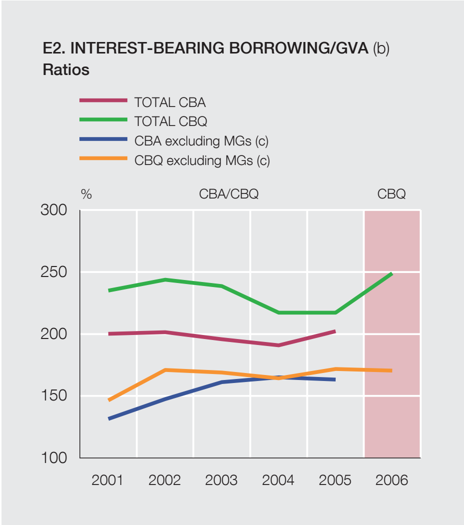
Q1-Q3 was because, following the exceptional performance of the previous year, the rate of inflow of dividends from foreign subsidiaries decreased, and this, together with the extraordinary rise in financial costs, resulted in an ONP growth rate of 6.1%, approximately half that in the same period a year earlier, according to the CBQ. In any event, it should be noted that this change in ONP, and that in financial costs (the numerator in the calculation of return on investment), offset each other in the two periods under analysis. Hence the overall change was sufficient for corporations to post high rates of return which were similar to, and even greater than, those in the immediately preceding periods. Thus the return on investment (R.1) stood at 8.7% for 2005 (8.2% in 2004), and at 8.9% to September 2006, against 7.8% recorded for

DEBT RATIOS

CHART 5



	2001	2002	2003	2004	2005	2006
CBA	44.8	46.2	44.9	44.7	44.3	
CBQ	45.7	48.7	46.4	45.7	46.3	48.6



	2001	2002	2003	2004	2005	2006
CBA	200.1	201.5	195.8	190.7	202.3	
CBQ	235.1	243.7	238.6	217.3	217.3	249.0
CBA excl. MGs	131.5	147.6	161.1	165.0	163.3	
CBT excl. MGs	146.4	170.8	168.9	164.4	171.6	170.6

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 intragroup debt (approximation of consolidated debt).
c. MGs: sample corporations belonging to the main reporting multinational groups.

this ratio in the same period a year earlier (see Table 5). This information relating to the total sample is complemented by that in Table 6, which shows a higher percentage of corporations reporting increases in excess of 10%, or even 15%, in both return on investment (R.1) and return on equity (R.3). The ratio approximating the cost of debt (R.2) stabilised, for the periods analysed, at values somewhat less than 4%, although it increased moderately in both 2005 and 2006 Q3 as a result of the progressive pass-through of interest rate rises to corporate costs. In any event, it has held at amounts conducive to borrowing. The behaviour of the profit and financial cost ratios permitted the difference between them to remain at high positive levels, with values of 5 for 2005, and of 5.1 according to the CBQ data up to September 2006, which were both higher than in prior periods.

Finally, extraordinary results performed similarly in the two periods analysed, although they were more positive in 2005, when capital gains grew by more than 50% as a result of fixed asset sales. To this must also be added the decrease in 2005 in the heading “Other (net provisioning and income tax”, which fell by nearly 10% because the portfolio provisions recorded in prior years to recognise possible losses of value in financial investments abroad were reversed in view of the improvement in the economies in which these investments are located. All this helped to raise the growth of net profit in 2005 to 23.2% according to CBA data and resulted in the highest profit level in the entire annual series, as evidenced by the value of this balance as a percentage of GVA (24.4%). In 2006 Q3 capital gains and extraordinary revenue rose by a similar amount to that of the previous year, basically due to the gains on share sales by certain large corporations in the sample, which led to an increase in net profit of nearly

GROSS OPERATING PROFIT, ORDINARY NET PROFIT, RETURN ON INVESTMENT AND ROI-COST OF DEBT (R.1 – R.2).
BREAKDOWN BY SIZE AND MAIN ACTIVITY OF CORPORATIONS
Ratios and growth rates of the same corporations on the same period a year earlier

TABLE 5

	GROSS OPERATING PROFIT				ORDINARY NET PROFIT				RETURN ON INVESTMENT (R.1)				ROI – COST OF DEBT (R.1-R.2)			
	CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)		
	2005	05 Q1 - Q4	05 Q1 - Q3	06 Q1 - Q3	2005	05 Q1 - Q4	05 Q1 - Q3	06 Q1 - Q3	2005	05 Q1 - Q4	05 Q1 - Q3	06 Q1 - Q3	2005	05 Q1 - Q4	05 Q1 - Q3	06 Q1 - Q3
Total	2.6	3.6	3.3	8.4	9.8	14.7	12.4	6.1	8.7	8.9	7.8	8.9	5.0	5.2	4.1	5.1
SIZE																
Small	4.8	—	—	—	10.6	—	—	—	7.0	—	—	—	3.2	—	—	—
Medium	3.4	2.0	-1.5	10.0	2.1	-0.8	-3.5	20.4	7.4	7.6	7.6	8.0	3.8	4.4	4.5	4.8
Large	2.5	3.7	3.4	8.4	10.4	15.3	13.0	5.7	8.8	8.9	7.8	8.9	5.1	5.2	4.1	5.1
BREAKDOWN OF ACTIVITIES BEST REPRESENTED IN THE SAMPLE																
Energy	15.9	12.4	11.0	17.3	41.2	33.6	30.6	14.2	9.9	10.3	9.6	10.5	6.5	6.9	6.2	6.9
Industry	-2.5	-0.4	0.1	3.4	1.3	-3.1	-0.1	2.0	8.7	8.3	7.8	8.2	5.0	4.5	4.1	4.6
Wholesale and retail trade	2.5	1.9	-0.8	6.7	3.4	2.5	1.4	9.2	10.6	8.7	8.5	7.8	7.4	5.1	5.0	4.3
Transport and communications	-2.3	-1.0	-0.5	4.5	-1.5	0.4	3.7	7.9	8.7	10.6	11.1	15.5	4.9	7.0	7.5	11.2

SOURCE: Banco de España.

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

STRUCTURE OF REPORTING CORPORATIONS' RETURN ON INVESTMENT AND ORDINARY RETURN ON EQUITY

TABLE 6

		CBQ (a)			
		RETURN ON INVESTMENT (R.1)		ORDINARY RETURN ON EQUITY (R.3)	
		05 Q1 - Q3	06 Q1 - Q3	05 Q1 - Q3	06 Q1 - Q3
Number of corporations		805	737	805	737
Percentage of corporations by profitability bracket	R <= 0%	24.0	23.3	26.7	27.0
	0% < R <= 5%	21.7	21.8	16.7	16.1
	5% < R <= 10%	17.2	15.6	12.3	11.9
	10% < R <= 15%	10.4	11.2	10.3	8.1
	15% < R	26.7	28.0	33.8	36.8
MEMORANDUM ITEM: Average return		7.8	8.9	11.4	14.1

SOURCE: Banco de España.

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

19.4%, despite the sharp increase in extraordinary provisioning in the portfolio to recognise the lower market value of certain investments abroad. Following such significant ongoing growth, net profit reached 32.8 % of GVA for 2006 Q3, another historical high in the CBQ series. This performance of net profit according to CBSO data is consistent with the final net profit implicit in the statistics disseminated by the CNMV on the results of listed companies when expressed in comparable terms, i.e. relating to the same firms and to the same scope of operations. In this respect, it should be kept in mind that the CNMV disseminates the results of listed Spanish corporate groups (which include firms resident abroad), whether they be financial or non-financial, whereas the CBSO disseminates the results of resident individual firms (but not of non-resident individual firms owned by Spanish multinational groups) that are non-financial (i.e. not banks and other financial institutions), whether listed or not. In addition, the number of listed non-financial corporate groups in the CNMV statistics is approximately 150, whereas the CBQ analyses around 800 non-financial individual firms.

In conclusion, Spanish corporations, after a year in 2005 marked by lower growth in activity than in 2004, as a result of the overrepresentation of industrial corporations and of others affected by the oil price rises, exhibited nominal GVA growth in 2006 Q3 of 6.9% with respect to the same period of the previous year. This growth was based mainly on the strength of domestic demand for consumer goods and capital equipment and on foreign demand, which enabled corporations to appreciably improve their situation. These developments were accompanied by a process of job creation against a background of wage moderation and mild growth of financial costs, which did not pose an obstacle to corporations raising their levels of debt. Furthermore, net financial revenue counteracted the moderate trend in productive activity in 2005, which was the opposite of what happened in 2006. All this meant that return on investment continued to perform very positively, which, together with the moderation of interest rates, meant that the difference between ROI and financial costs widened to five percentage points, evidencing the favourable conditions for further investment projects.

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