RESULTS OF NON-FINANCIAL CORPORATIONS TO 2009 Q2

Results of non-financial corporations to 2009 Q2

Overview[1]

Productive activity at the non-financial corporations reporting their data to the Central Balance Sheet Data Office Quarterly Survey (CBQ) continued to contract in the first two quarters of 2009 (2009 H1), in which gross value added (GVA) fell at a rate of –15.7%, in contrast to the growth seen in this variable a year earlier (2.1%). As in 2009 Q1, this negative performance affected all sectors of activity, although most especially the industrial firms, directly hit by the decline in investment in capital goods. By contrast, external activity continued to make a positive contribution to GDP, as the sharp drop in imports (–36% to June 2009) offset the decline in exports (–20.9%), against the backdrop of continuing fall-off in international trade.

Personnel costs fell slightly (–0.7%) in 2009 H1, in sharp contrast to the increase recorded in 2008 H1 (4.6%). The decline in these costs is due to job losses (the average number of employees fell by 2.5%) and to the lower rate of growth of average compensation (1.8%, practically half the 2008 H1 figure). However, this reduction in staffing levels affected only temporary contracts (–17%), as permanent employment grew by 0.2%, although this is lower than the rate of growth recorded a year earlier (0.8%). The workforce reductions affected all sectors of activity, with the exception of energy and water, which continued to post marginally positive growth (0.9%). By contrast, employment fell most notably in industry and in the wholesale and retail trade, where the average number of employees fell by –6.3% and –4.4%, respectively). Average compensation was contained in all sectors of activity, without exception, as a result of the lower wage rises negotiated, against the backdrop of uncertainty due to the economic crisis and of low inflation. As in 2009 Q1, the rate of change of average compensation in industry was negative (–1.3%) in 2009 H1, due to the sharp drop in performance-related variable compensation.

The decrease in personnel costs offset only a minimum part of the impact of the decline in activity on earnings at Spanish non-financial corporations, so that gross operating profit (GOP) fell by –27% in 2009 H1, having risen, albeit marginally (0.3%), a year earlier. In turn, both financial revenue and financial costs decreased, as interest rates declined. Financial revenue fell by –4.4%, due exclusively to the decline in revenue from interest received, as dividends received rose slightly (1.8%). Financial costs recorded a sharper fall (–20.6% in 2009 to date), but also primarily due to the notable decline in interest rates. The overall effect of the change in financial revenue and financial costs and of the decrease in depreciation and provisions (–4.5%) on ordinary net profit (ONP) was marginal, so that the fall in ONP in the period (–28%) was similar to that seen in GOP, signifying a deterioration vis-à-vis the 2008 figure when it grew by 0.5%.

As a result of the contraction in productive activity, and the consequent deterioration in the main corporate surpluses, the ordinary returns of the non-financial corporations also headed down. Thus, return on investment (R.1) and return on equity (R.3) both declined, standing at 5.6% and 7.4%, respectively, in 2009 H1, well below the levels seen a year earlier (7.2% and 9.3%, respectively). The decline in interest rates was also reflected in a drop in the ratio that measures the cost of debt (R.2), which stood at 3.6%, more than 1 pp below the 2008 H1 level (4.8%). These lower financial costs partially offset the decrease in return on investment,

1. The information which serves as a basis for this article is that sent by the 712 corporations that have reported data, on average, to the Central Balance Sheet Data Office to 15 September. The GVA generated by this aggregate accounts for 11.9% of the total GVA of non-financial corporations.

so that the ratio that measures the difference between the two remained positive, although slightly lower than a year earlier (2.0 as opposed to 2.4). This indicator deteriorated across all areas of activity, but most notably in industry and in wholesale and retail trade where the difference was negative (–2.9% and –0.8%, respectively).

Lastly, most extraordinary items declined significantly in 2009 H1. The drop in the gains (losses) from disposals and impairment heading (–51%), which had the most impact on profit for the period, was due to the extraordinary capital gains recorded in 2008 as a consequence of the sale of the European business of a large electric utility. This decrease in extraordinary gains, when added to the decline in ordinary profit, heightened the fall in profit for the period, which amounted to –37.4% in 2009 H1, in contrast to the growth recorded in 2008 H1 (43.6%). Despite the sharp fall in the half-year, the surplus remains clearly positive in absolute terms, representing 34.2% expressed as a percentage of GVA, demonstrating that, as a whole, the corporations reporting to the CBQ still have considerable profit-generating capacity. However, the proportion of corporations reporting profit (58.2%) has declined by 10 pp from the figure a year earlier (68.3%).

To sum up, the contraction in productive activity in 2009 H1 at the non-financial corporations reporting to the CBQ was reflected in a severe deterioration of surpluses and of employment (especially temporary employment) figures. Neither the slowdown in the rate of growth of wage costs nor the notable decrease in financial costs were sufficient to prevent a decline in returns, prompting a further reduction in the difference between the ratio that measures return on investment and financial costs.

Activity

In 2009 H1, activity at the non-financial corporations reporting to the CBQ contracted sharply, leading to a decline of –15.7% in their gross value added (GVA) (see Table 1 and Chart 1), as opposed to growth of 2.1% in this surplus a year earlier, reflecting the severity of the change. This contraction is seen in the decline in value both of production (–25.2%) and inputs (–30%). In turn, external activity continued to make a positive contribution to GDP, as in 2009 Q1, as net external demand (exports net of imports) rose. However, this growth was due to the fact that imports declined by more than exports, in a setting in which international trade continued to show no sign of resurgence.

A more detailed breakdown by sector shows, first, that GVA contracted in all sectors of activity in 2009 H1 (see Table 2.A). This decline was most striking in industry (–38.4%), due to the impact of the decline in investment in capital goods and to the poor performance of the industrial sub-sectors most closely connected to construction. Non-financial corporations in the wholesale and retail trade sector also saw their GVA fall significantly (by –14.2%), a drop that was more than triple that recorded a year earlier (–4.4%), confirming the impact on this sector of the growing weakness of private consumption. Likewise in the transport and communications sector, where GVA fell by –8% in 2009 H1, in comparison with growth of 0.8% a year earlier. Within this aggregate, telecoms and air travel were most affected by the downturn. And lastly, energy also saw a notable contraction in its GVA (–16.5%), in sharp contract to the growth of 11.8% recorded on 2008 H1. This about-face was due to the oil refining sub-sector, whose GVA fell by –52.2% in 2009 H1, after growing by 28.7% in 2008 H1, influenced, to a great extent, by the decrease in the price of oil on the international markets (see Chart 2). The other main energy sub-sector – electricity, gas and water utilities – posted a more moderate decline in its GVA (–6.3%), but one that is still a keen contrast to the growth of 8.5% recorded a year earlier and is primarily due to the fall-off in demand for electricity (down 6.8% in 2009 H1, on data from Red Eléctrica).

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		
DATABASES	2007	2006	2007	08 Q1-Q4/ 07 Q1-Q4 (a)	08 Q1-Q2/ 07 Q1-Q2	09 Q1-Q2/ 08 Q1-Q2
Number of corporations		9,280	8,947	794	838	712
Total national coverage		33.6%	33.0%	12.4%	13.7%	11.9%
PROFIT AND LOSS ACCOUNT						
1. VALUE OF OUTPUT (including subsidies)	100.0	9.5	7.5	3.1	8.8	-25.2
Of which:						
— Net amount of turnover and other operating income	139.0	9.7	5.8	0.7	5.6	-19.6
2. INPUTS (including taxes)	68.9	10.2	8.0	6.1	12.2	-30.0
Of which:						
— Net purchases	39.9	12.3	6.9	5.1	18.7	-42.4
— Other operating costs	29.4	7.8	8.5	6.0	5.4	-3.0
S.1. GROSS VALUE ADDED AT FACTOR COST [1 – 2]	31.1	8.1	6.4	-3.3	2.1	-15.7
3. Personnel costs	16.4	6.9	6.9	3.5	4.6	-0.7
S.2. GROSS OPERATING PROFIT [S.1 – 3]	14.8	9.5	5.9	-8.3	0.3	-27.0
4. Financial revenue	4.0	17.0	23.2	2.2	17.5	-4.4
5. Financial costs	4.0	34.3	39.0	15.8	21.2	-20.6
6. Net depreciation, impairment and operating provisions	5.2	9.9	0.0	-0.1	-2.7	-4.5
S.3. ORDINARY NET PROFIT [S.2 + 4 – 5 – 6]	9.5	5.1	4.8	-17.3	0.5	-28.0
7. Gains (losses) from disposals and impairment (c)	-1.0	82.0	(b)	(b)	(b)	-51.0
7' As a percentage of GVA (7 / S.1)		5.6	-3.1	-3.5	11.3	8.0
8 Changes in fair value and other gains (c)	1.2	54.9	(b)	57.4	84.7	-76.9
8' As a percentage of GVA (8 / S.1)		-2.9	4.0	-3.9	-0.8	-2.7
9. Corporate income tax	1.9	36.9	-14.9	-68.5	2.2	-30.0
S.4. NET PROFIT [S.3 + 7 + 8 - 9]	7.8	28.3	8.6	-29.1	43.6	-37.4
S. 4' As a percentage of GVA (S.4 / S.1)		24.3	25.1	25.9	43.6	34.2
PROFIT RATIOS						
R.1 Ordinary return on investment (before taxes)	(S.3 + 5.1) / NA	9.1	8.9	7.9	7.2	5.6
R.2 Interest on borrowed funds/ interest-bearing borrowing	5.1 / IBB	4.1	4.8	4.9	4.8	3.6
R.3 Ordinary return on equity (before taxes)	S.3 / E	13.5	12.5	10.4	9.3	7.4
R.4 ROI - cost of debt (R.1 - R.2)	R.1 – R.2	5.1	4.1	2.9	2.4	2.0

SOURCE: Banco de España.

a. All the data in these columns have been calculated as the weighted average of the quarterly data.
b. Rate not significant or not calculable because the relevant figures are of opposite sign.
c. New P&L headings resulting from application of the new general chart of accounts (PGC 2007).
d. 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) and not other financial costs (5.2).
NB: In calculating rates, internal accounting movements have been edited out of items 4, 5 and 7.

Finally, as shown in Chart 3, in 2009 H1 the proportion of companies reporting a decline in GVA increased significantly to 64.9% from 45.4% in 2008 H1, a jump of almost 20 pp. Moreover, the segment with the sharpest adjustments in activity (GVA falls in excess of 20%) contains the highest percentage of corporations (38.8%, as opposed to 21.6% in 2008).

Employment and personnel costs

In 2009 H1, personnel costs fell marginally (–0.7%), representing a significant turnaround vis-à-vis the same period a year earlier when they rose by 4.6%, as a result of the combination of falling employment and more moderate average compensation growth.

Employment figures for 2009 H1 show that average employment decreased by –2.5%, in comparison with an increase of 1% in 2008 H1. Temporary employment bore the brunt of the

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

CHART 1

REPORTING NON-FINANCIAL CORPORATIONS		2004	2005	2006	2007	2008	2009
Number of corporations	CBA	9,065	9,137	9,280	8,947	—	—
	CBQ	830	811	829	847	794	712
% of GDP of the sector non-financial corporations	CBA	32.3	32.5	33.6	33.0	—	—
	CBQ	14.9	14.6	14.5	14.3	12.4	11.9

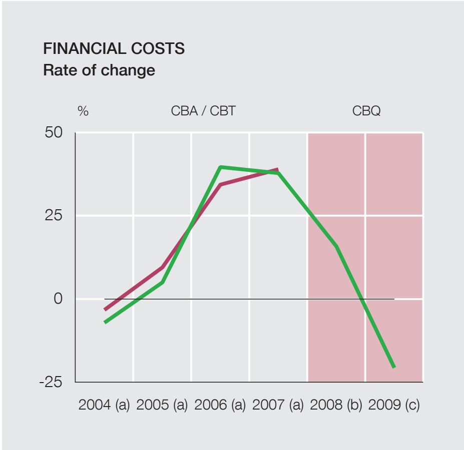
SOURCE: Banco de España.

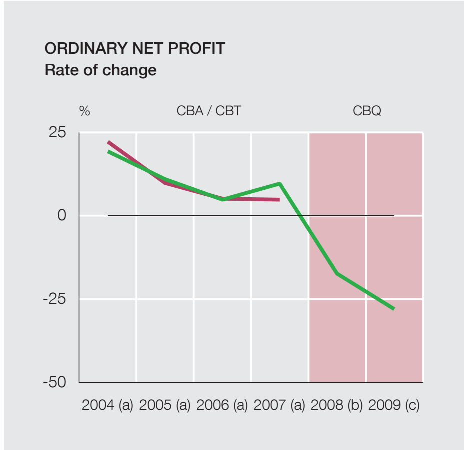
a. 2004, 2005, 2006 and 2007 data drawn from corporations reporting to the annual survey (CBA), and average data of the four quarters of each year in relation to the previous year (CBQ).
b. Average of the four quarters of 2008 relative to the same period of 2007.
c. Average of the first two quarters of 2009 relative to the same period of 2008.

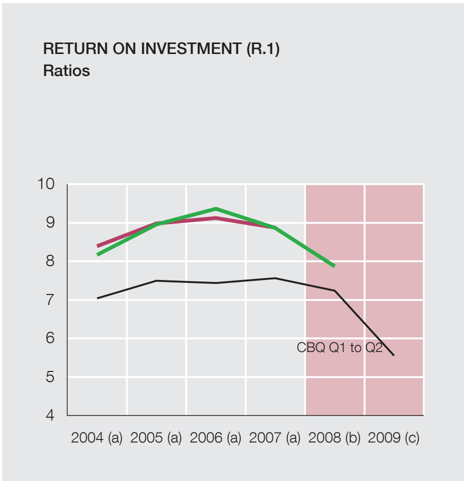
job losses, falling at a rate of –17%, while permanent employment was virtually unchanged, with growth of 0.2% (although this is a deterioration on a year earlier when it grew by 0.8%). The sectoral breakdown shows that negative rates of growth predominated throughout, save in energy, the only area recording growth in employment (albeit only 0.9%, as opposed to 2.1% in 2008 H1). Employment declined in all other sectors, in step with the slowdown in productive activity, although particularly in wholesale and retail trade and in industry where the workforce restructuring was most severe. Thus, in industry, the average number of employees fell by –6.3%, as opposed to –0.4% in 2008, while in the wholesale and retail trade it fell by –4.4% in 2009 H1, in sharp contrast to the growth of 2.5% recorded a year earlier. Employment

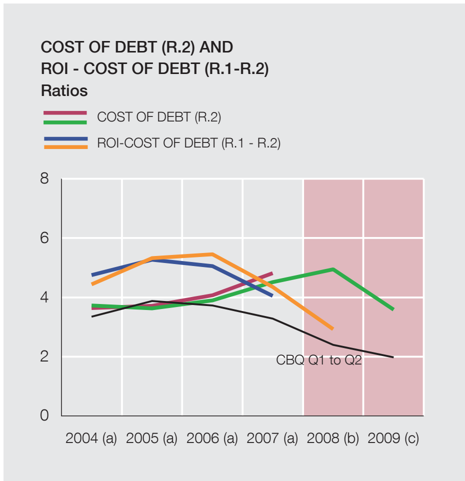
NON-FINANCIAL CORPORATIONS REPORTING TO THE CENTRAL BALANCE SHEET DATA OFFICE (cont'd)

CHART 1









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SOURCE: Banco de España.

a. 2004, 2005, 2006 and 2007 data drawn from corporations reporting to the annual survey (CBA), and average data of the four quarters of each year in relation to the previous year (CBQ).
b. Average of the four quarters of 2008 relative to the same period of 2007.
c. Average of the first two quarters of 2009 relative to the same period of 2008.

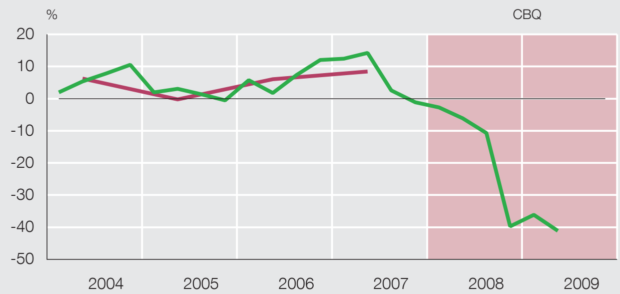
also fell in the transport and communications sector in 2009 H1, down –1.2% as opposed to the net decrease of –0.9% in 2008. Lastly, Table 4 confirms the increasingly widespread nature of the workforce reductions, which in 2009 H1 affected 61.7% of the sample corporations, nearly 20 pp more than in the previous year.

Average compensation continued the pattern first seen in 2009 Q1, as its growth moderated to 1.8% in 2009 H1, almost 2 pp below the 2008 H1 figure. This containment was seen in all sectors of activity and in firms of all sizes and is a result of the lower wage rises negotiated, against the backdrop of crisis and uncertainty. Wholesale and retail trade and

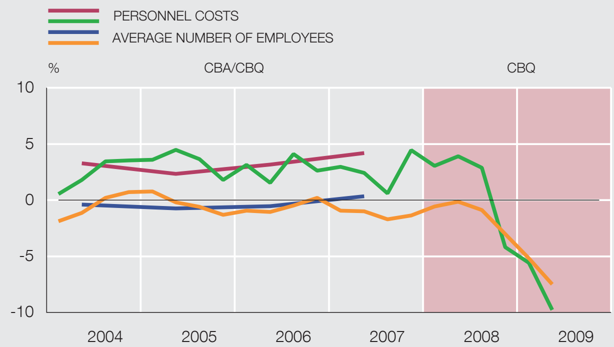
The productive activity of industrial firms contracted sharply in 2009 H1, with a decrease in GVA of –38.4%, accentuating the fall seen in 2009 Q1. This deterioration in industrial activity was set against a background in which the fall-off of investment in capital goods steepened and in which the industrial sub-sectors most closely connected with the construction sector continued to perform negatively. Thus, although all subsectors recorded GVA falls in 2009 H1, the drop in activity was sharpest in glass, ceramic and metal products, in chemicals and in electrical, electronic and optical equipment, recording rate of change of –62.3%, –44.9% and –38.2%, respectively. Worthy of comment as regards external activity was the significant fall-off in both exports and imports, although the sharper fall in imports meant that net external demand (exports minus imports) made a larger contribution to GDP (see Table 3). Meanwhile, personnel costs decreased significantly, by –7.5%, in 2009 H1. The behaviour of this item reflected both the drop in employment, which, in line with the decline in industrial activity, took place in this sector (the average number of employees decreased by –6.3%), and the fall in average compensation, which showed a rate of change of –1.3%. The decrease in wage costs in 2009 is explained by the impact on some large industrial firms of the drop in variable compensation linked to profits, against a background of greater moderation in negotiated wages. In any event, the decrease in personnel costs did not prevent gross operating profit (GOP) from falling sharply (by –75.2%) as a direct consequence of the deterioration of industrial activity. The positive trend of financial costs and revenue, with a reduction in the former and an increase in the latter, was insufficient to prevent ONP from also falling notably. The result of all this was that the levels of return declined significantly. Thus the return on investment was down from 6.6% in 2008 H1 to 0.9% in 2009; and return on equity posted negative values (–1.9%) far from the 8.1% recorded a year earlier. The ratio which measures the cost of debt decreased appreciably in 2009 (from 5.1% to 3.8%) due to the successive interest rate cuts, thereby relieving the interest burden of firms. This did not, however, prevent the difference between return on investment and interest burden from decreasing sharply in 2009 to a negative value of –2.9 for 2009 H1. This figure summarises the difficult situation facing the industrial sector, where the sharp deterioration in activity has affected its capacity to generate surpluses, caused a significant drop in employment and significantly impaired its levels of return, as a result of the particularly strong impact which the economic crisis is having on the firms of this sector.

PERFORMANCE OF THE INDUSTRIAL CORPORATIONS REPORTING TO THE CBSO

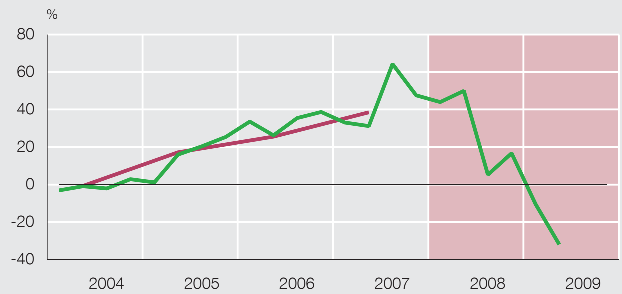
GROSS VALUE ADDED AT FACTOR COST
Rate of change



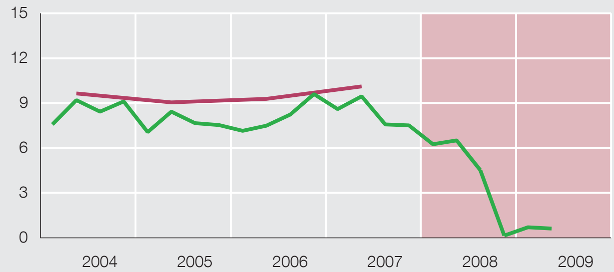
EMPLOYMENT AND WAGES
Rate of change



FINANCIAL COSTS



RETURN ON INVESTMENT
Ratios



REPORTING INDUSTRIAL CORPORATIONS		2004				2005				2006				2007				2008				2009			
Number of corporations	CBA	2,538				2,476				2,471				2,345				—				—			
	CBQ	355	345	338	336	327	315	308	300	322	306	293	284	316	306	291	286	289	277	261	246	232	203	—	—
% of GDP of the sub-sector industrial corporations	CBA	29.4				28.8				31.5				33.0				—				—			
	CBQ	20.0	20.3	18.3	19.7	19.5	20.2	17.2	17.7	18.9	18.0	16.5	17.6	19.6	19.9	16.8	17.2	16.4	16.4	12.7	8.4	9.8	8.1	—	—

SOURCE: Banco de España.

VALUE ADDED, EMPLOYEES, PERSONNEL COSTS AND COMPENSATION PER EMPLOYEE BREAKDOWN BY SIZE AND MAIN ACTIVITY OF CORPORATIONS

TABLE 2.A

Growth rate of the same corporations on the same period a year earlier

	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)		
	2007	08 Q1 -Q4	08 Q1 -Q2	09 Q1 -Q2	2007	08 Q1 -Q4	08 Q1 -Q2	09 Q1 -Q2	2007	08 Q1 -Q4	08 Q1 -Q2	09 Q1 -Q2	2007	08 Q1 -Q4	08 Q1 -Q2	09 Q1 -Q2
Total	6.4	-3.3	2.1	-15.7	3.1	0.4	1.0	-2.5	6.9	3.5	4.6	-0.7	3.7	3.1	3.6	1.8
SIZE																
Small	3.4	—	—	—	-0.4	—	—	—	4.8	—	—	—	5.2	—	—	—
Medium	5.6	-1.0	0.4	-14.9	1.7	-2.1	-1.2	-6.0	6.6	2.3	4.0	-5.2	4.8	4.5	5.3	0.8
Large	6.6	-3.4	2.2	-15.7	3.4	0.5	1.2	-2.3	7.0	3.5	4.7	-0.5	3.4	3.0	3.5	1.8
BREAKDOWN OF ACTIVITIES BEST REPRESENTED IN THE SAMPLE																
Energy	1.4	1.5	11.8	-16.5	0.2	1.8	2.1	0.9	5.0	4.4	5.1	2.5	4.8	2.6	2.9	1.7
Industry	8.4	-13.3	-4.4	-38.4	0.3	-1.1	-0.4	-6.3	4.2	1.5	3.5	-7.5	3.8	2.7	3.9	-1.3
Wholesale and retail trade	7.1	-6.3	-4.4	-14.2	3.5	1.2	2.5	-4.4	7.0	4.1	4.7	-3.8	3.4	2.9	2.1	0.6
Transport and communication	6.9	-1.7	0.8	-8.0	1.8	-0.9	-0.9	-1.2	5.6	1.8	2.8	1.6	3.7	2.7	3.7	2.9

SOURCE: Banco de España.

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

EMPLOYMENT AND PERSONNEL COSTS

TABLE 2.B

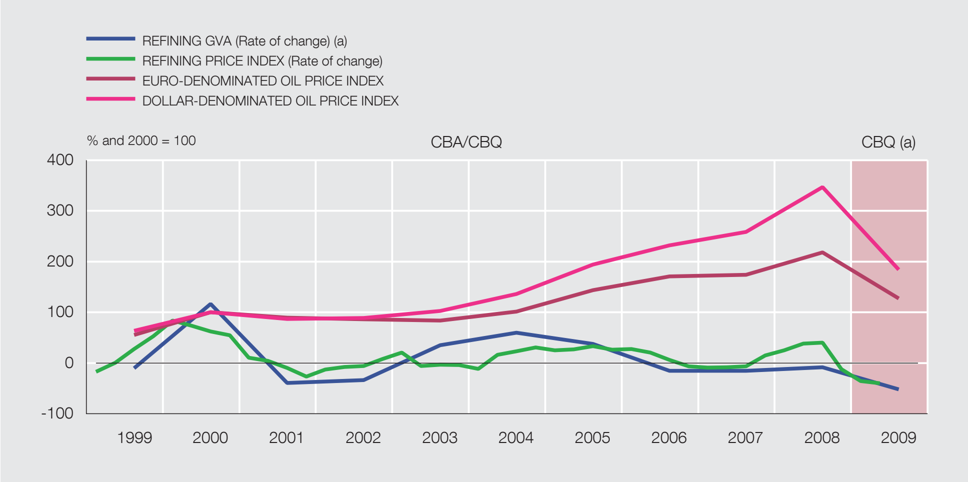
Details based on changes in staff levels

		TOTAL CBQ CORPORATIONS 09 Q1 - Q2	CORPORATIONS INCREASING (OR NOT CHANGING) STAFF LEVELS	CORPORATIONS REDUCING STAFF LEVELS
Number of corporations		712	290	422
PERSONNEL COSTS				
Initial situation 08 Q1-Q2 (€m)		14,242.4	5,390.9	8,851.5
Rate 09 Q1-Q2/ 08 Q1-Q2		-0.7	6.1	-4.9
AVERAGE COMPENSATION:				
Initial situation 08 Q1-Q2 (€)		22,245.8	23,420.7	21,586.9
Rate 09 Q1-Q2/ 08 Q1-Q2		1.8	0.3	2.4
NUMBER OF EMPLOYEES:				
Initial situation 08 Q1-Q2 (000s)		640	230	410
Rate 09 Q1-Q2/ 08 Q1-Q2		-2.5	5.8	-7.1
Permanent	Initial situation 08 Q1-Q2 (000s)	540	192	348
	Rate 09 Q1-Q2/ 08 Q1-Q2	0.2	4.9	-2.4
Non-permanent	Initial situation 08 Q1-Q2 (000s)	100	38	62
	Rate 09 Q1-Q2/ 08 Q1-Q2	-17.0	10.2	-33.9

SOURCE: Banco de España.

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. 2004 and 2005 data relate to the CBQ.

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

TABLE 3

		CBA	CBQ (a)	
		2007	08 Q1-Q2	09 Q2-Q1
Total corporations		8,947	712	712
Corporations reporting source/destination		8,947	670	670
Percentage of net purchases according to source	Spain	67.1	75.4	79.9
	Total abroad	32.9	24.6	20.1
	EU countries	*19.2*	*16.6*	*13.9*
	Third countries	*13.8*	*8.0*	*6.2*
Percentage of net turnover according to destination	Spain	84.8	90.1	90.9
	Total abroad	15.2	9.9	9.1
	EU countries	*10.5*	*7.4*	*6.3*
	Third countries	*4.7*	*2.5*	*2.7*
Change in net external demand (exports less imports), rate of change	Industry	-10.5	96.7	40.2
	Other corporations	-6.3	8.6	53.6

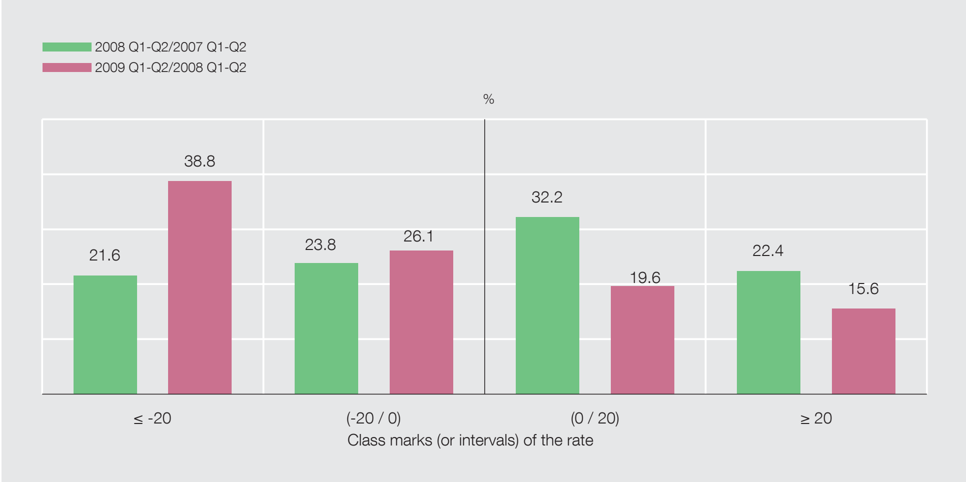
SOURCE: Banco de España.

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

industry were the sectors that showed most wage cost containment; in fact in industry, the rate of change was even negative (–1.3%), due to the impact on average compensation of the sharp drop in performance-related variable compensation in large corporations, which is tied to business activity and earnings. Lastly Table 2.B, which distinguishes between corporations that maintained or raised their average number of employees and those that destroyed jobs in 2009 H1, shows that although wage increases generally moderated, the highest increases in average wages (2.4%) were seen at firms that cut jobs, whereas in

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

CHART 3



SOURCE: Banco de España.

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

TABLE 4

	CBA		CBQ (a)			
	2006	2007	07 Q1 - Q4	08 Q1 - Q4	08 Q1 - Q2	09 Q1 - Q2
Number of corporations	9,280	8,947	847	794	838	712
PERSONNEL COSTS	100	100	100	100	100	100
Falling	25.4	26.1	28.7	33.4	28.1	57.6
Constant or rising	74.6	73.9	71.3	66.6	71.9	42.4
AVERAGE NUMBER OF EMPLOYEES	100	100	100	100	100	100
Falling	30.9	31.4	38.7	46.2	42.7	61.7
Constant or rising	69.1	68.6	61.3	53.8	57.3	38.3

SOURCE: Banco de España.

a. Weighted average of the relevant quarters for each column.

those that maintained or raised their average number of employees, wage costs were practically flat (0.3%).

Profits, rates of return and debt

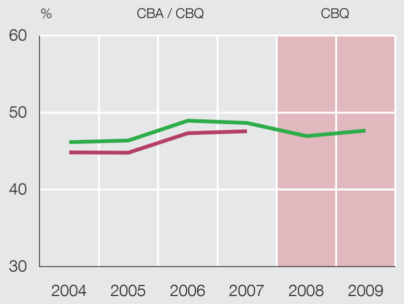
Despite the fall in personnel costs, the decline in productive activity passed through to gross operating profit (GOP), which fell by –27% in 2009 H1, in comparison with the growth of 0.3% recorded a year earlier. Financial revenue fell by –4.4%, reflecting the impact of lower interest rates received on credit granted, while the dividends received remained practically stable. Financial costs also fell in 2009 H1, by –20.6%, more sharply than financial revenue. The table below presents a breakdown of the main components of this heading:

	09 Q1-Q2 / 08 Q1-Q2
Change in financial costs	**-20.6%**
A. Interest on borrowed funds (1 + 2)	*-21.2%*
1 Due to the cost (interest rate)	-27.6%
2 Due to the amount of interest-bearing debt	6.4%
B. Commissions and cash discounts	*0.6%*

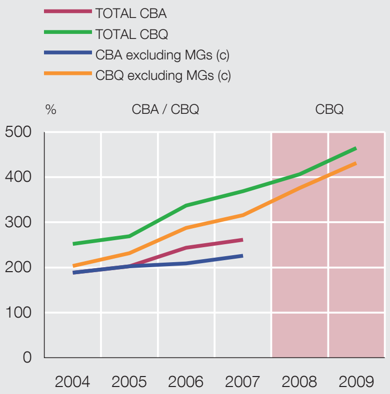
DEBT RATIOS

CHART 4

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



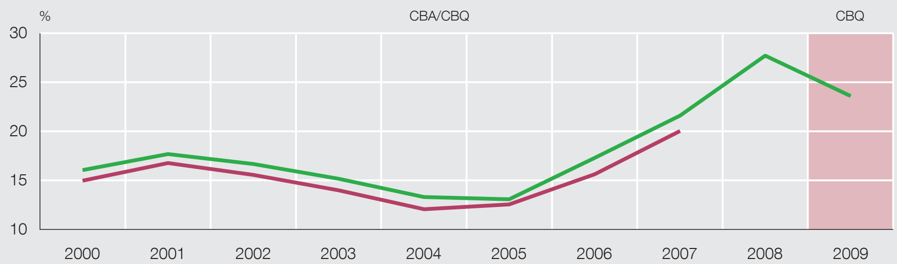
E2. INTEREST-BEARING BORROWING/GVA (b)
Ratios



	2004	2005	2006	2007	2008	2009
CBA	44.8	44.8	47.3	47.6		
CBQ	46.2	46.4	49.0	48.7	47.0	47.7

	2004	2005	2006	2007	2008	2009
CBA	188.6	202.3	243.4	261.2		
CBQ	251.9	269.2	337.0	368.9	406.3	464.5
CBA excl. MGs	188.6	202.3	209.0	226.0		
CBQ excl. MGs	203.2	231.7	287.5	316.1	375.8	431.6

GROSS VALUE ADDED AT FACTOR COST
Rate of change



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CBA	15.0	16.8	15.6	14.0	12.1	12.5	15.6	20.0		
CBQ	16.0	17.7	16.7	15.2	13.3	13.1	17.3	21.6	27.7	23.6

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.

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)		
	2007	08 Q1 - Q4	08 Q1 - Q2	09 Q1 - Q2	2007	08 Q1 - Q4	08 Q1 - Q2	09 Q1 - Q2	2007	08 Q1 - Q4	08 Q1 - Q2	09 Q1 - Q2	2007	08 Q1 - Q4	08 Q1 - Q2	09 Q1 - Q2
Total	5.9	-8.3	0.3	-27.0	4.8	-17.3	0.5	-28.0	8.9	7.9	7.2	5.6	4.1	2.9	2.4	2.0
SIZE																
Small	1.1	—	—	—	-1.5	—	—	—	7.4	—	—	—	2.5	—	—	—
Medium	4.4	-5.1	-4.1	-27.4	-3.9	-6.0	-2.8	-44.5	8.0	7.3	7.1	4.0	3.2	1.1	2.5	0.3
Large	6.1	-8.4	0.4	-26.9	5.8	-17.7	0.6	-27.6	9.0	7.9	7.2	5.6	4.1	3.0	2.4	2.0
BREAKDOWN OF ACTIVITIES BEST REPRESENTED IN THE SAMPLE																
Energy	0.4	0.8	13.6	-20.8	1.1	-5.3	17.3	-14.1	8.9	8.3	8.5	6.3	4.6	3.6	4.0	2.7
Industry	14.0	-30.4	-12.7	-75.2	13.6	-54.7	-39.7	(b)	10.1	5.3	6.6	0.9	5.0	0.2	1.5	-2.9
Wholesale and retail trade	7.3	-22.2	-16.6	-34.8	4.0	-22.8	-16.0	-59.3	10.9	4.9	5.7	2.9	6.0	0.5	1.6	-0.8
Transport and communications	7.8	-4.1	-0.6	-14.8	23.7	-3.5	1.0	-24.9	10.3	10.6	10.7	8.2	5.8	5.9	6.0	4.8

SOURCE: Banco de España.

a. All the data in these columns have been calculated as the weighted average of the quarterly data.
b. Rate not significant or not calculable because the relevant figures are of different sign.

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)	
		08 Q2-Q1	09 Q2-Q1	08 Q2-Q1	09 Q2 - Q1
Number of corporations		838	712	838	712
Percentage of corporations by profitability bracket	R <= 0%	23.3	34.9	31.1	39.7
	0% < R <= 5%	22.8	24.0	14.6	17.5
	5% < R <= 10%	16.8	14.5	12.6	10.2
	10% < R <= 15%	10.4	6.7	8.6	6.2
	15% < R	26.7	20.0	33.1	26.4
MEMORANDUM ITEM: Average return		7.2	5.6	9.3	7.4

SOURCE: Banco de España.

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

As the table shows, the decrease in financial costs in 2009 H1 was due to the effect of interest rate reductions, as the amount of debt grew in the period, albeit only very moderately and at a clearly slower pace than in previous years, against a backdrop of falling interest rates and sluggish investment. The CBQ data that proxy investment in property, plant and equipment confirm this investment sluggishness, with a decline of –7.9% in 2009 H1. This decrease was seen in all sectors except energy and was particularly sharp in industry and in wholesale and retail trade.

To complete the study of the financial position of the reporting firms, Chart 4 sets out an analysis of the ratios. The ratio E1 (interest-bearing borrowing to total net assets) confirms that in 2009 corporate debt levels increased slightly with respect to the previous year. By contrast, there was a deterioration in ratio E2 (interest-bearing borrowing to GVA), which continued rising in 2009 H1, basically due to the decrease in GVA in this period. Lastly, the improvement in the ratio which measures the interest burden was noteworthy. This improvement came about as a result of extraordinary financial cost-cutting, which reached five percentage points in 2008 and 2009 H1 and offset the sharp fall in gross operating profit and financial revenue (the denominator of the ratio).

The fall in GOP due to the contraction of productive activity also fed through to ordinary net profit (ONP), as the overall effect of the decrease in financial costs borne by firms and in depreciation and provisions (–4.5%) was practically offset by the fall in financial revenue. Hence the change in ONP was similar to that in GOP, falling by –28% in 2009 H1. In any event, the negative performance of ONP and of financial costs gave rise to diminished levels of return, which affected all sectors of activity. Thus the ratios which measure return on investment (R.1) and return on equity (R.3) stood at 5.6% and 7.4%, respectively, in 2009 H1, in both cases somewhat more than one and half percentage points below their values a year earlier (7.2% for R.1 and 9.3% for R.3). Meanwhile, the ratio which approximates the cost of debt also decreased (by somewhat more than one percentage point) from 4.8% in 2008 H1 to 3.6% in 2009 H1. As a result, the difference between the return on investment and this ratio remained at positive values similar to those in 2008, its level of 2.0 being 0.4 pp less than a year earlier. However, sectoral analysis of this variable indicates that, for the first time in the CBQ series, two sectors posted negative values: wholesale and retail trade (with –0.8); and industry (–2.9), which had already posted a negative value in 2009 Q1.

Lastly, analysis of extraordinary gains shows that all the items composing them underwent major decreases in 2009 H1, although the most significant, because of its amount and its impact on profit for the period, was that of gains (losses) from disposals and impairment. In 2008 Q1 this item posted a significant gain from the sale of shares of a large electric utility; the absence of similar significant transactions in the reporting period meant that comparison of the 2008 and 2009 values produced a result of –51%. This accentuated the fall in profit for the period, the rate of change of which was –37.4%. This negative development did not prevent the level of profit for the sample firms as a whole from remaining high: profit for the period as a percentage of GVA remained at 34.2% for 2009 H1, although this is 10 percentage points lower than in 2008 H1. The deterioration in profit for the period is also confirmed by analysis of the percentage of firms recording profit in 2009 H1, which was 58.2%, 10 percentage points less than a year earlier, when 68.3% of firms showed a profit.

18.9.2009.