

RESULTS OF NON-FINANCIAL CORPORATIONS TO 2011 Q4 AND SUMMARY YEAR-END DATA

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Overview¹

The information sent by the firms reporting to the Central Balance Sheet Data Office's Quarterly Survey (CBQ) reveals a contraction in productive activity in 2011, following the slight recovery the previous year. The CBQ data, which represent a preliminary estimate of those that will later be published on the basis of annual information, show that, in the year as a whole, the GVA of this sample declined by 1%, after growing by 2.9% in 2010. This fresh dip is consistent with the weakness displayed by national demand in this period, since it has affected to a greater degree sectors, such as wholesale and retail trade and accommodation and food service activities and information and communication, that more closely reflect the behaviour of private consumption. The external activity of the reporting firms, remained more buoyant, although it lost momentum as the year passed.

Personnel costs grew by 0.6% in 2011, following a decline of 1.2% in 2010. This change in sign was mainly due to the fall in the average rate of job destruction during 2011 for this sample of firms. By type of contract, temporary contracts continued to be the ones in which the workforce adjustment was concentrated, with a reduction of 6.9%, while permanent jobs showed little change, growing by 0.6%. By sector, there were reductions in the average number of workers in almost all sectors, although they were more moderate than in the previous year. The notable exception was wholesale and retail trade and accommodation and food service activities, the only sector to record an increase in employment, of 2.1%. Average compensation increased by 1.1%, a slightly higher rate than in 2010 (0.9%).

The contraction in productive activity, along with the slight increase in personnel costs, led to a 2.3% decline in gross operating profit in 2011, following growth of 6.9% in 2010. Financial revenue and financial costs increased by 7.6% and 9.6%, respectively, owing to the upward trend during the first half of the year in interest rates, which was progressively passed through to firms' results. The changes in debt had no appreciable impact on financial costs, given the low level of new borrowing by firms, against a background of marked slackness in investment. As regards financial revenue, the increase in 2011 was somewhat mitigated by the less expansionary behaviour of dividends received, which grew by only 2.2%, as compared with 10.8% the previous year. Finally, net depreciation and operating provisions increased by 3.3%, somewhat less than in the previous year, when they increased by 4.8%.

Ordinary net profit (ONP) fell by 7% in 2011, in contrast to the 8.9% growth recorded the previous year. The negative trend in ordinary profit resulted in a reduction in profitability levels, which extended to all the sectors of activity analysed. At the same time, the ratio that measures the cost of debt rose to 3.5%, up 0.3 percentage points from its 2010 level. The overall effect of the fall in profitability levels and the increase in the cost of

¹ This article is based on a sample of 749 corporations which had sent their data to the Central Balance Sheet Data Office by 12 March 2012. In terms of GVA, these corporations represent 12% of the whole non-financial corporations sector.

debt costs was to narrow the difference between these two variables, to 2%, which was somewhat more than one percentage point less than the difference recorded a year earlier. Moreover, this value is the lowest since 1997, when the distance between the two ratios narrowed to 1.1%.

Finally, the analysis of extraordinary costs and revenues shows that in 2011 these items had a negative impact on net profit. The heading that includes the results of asset disposals reflected some significant capital losses arising from share sale transactions. To this should be added the existence, within the item that covers other extraordinary results, of large extraordinary provisions associated with redundancy schemes, which have affected some large firms in the sample. All this led to a 19.8% decline in net profit. As a percentage of GVA, net profit fell by 5 pp with respect to 2010, to 21.1%.

In short, the smooth recovery in business activity recorded in 2010 came to a halt in 2011, when activity resumed its downward course. This fresh dip extended to all the productive sectors, although it was those most closely linked to private consumption that recorded the strongest declines. In line with the weakness displayed by productive activity, firms continued to create no new jobs, although, on average over the year, the intensity of the workforce adjustment declined, while average compensation accelerated somewhat. At the same time, both financial revenues and costs increased, mainly as a consequence of the rise in interest rates. All this led to a deterioration in ordinary company profits and, as a result, in the return on investment, as well as a decline in the differential between this ratio and the cost of borrowing.

Activity

The sample of firms reporting to the CBQ recorded a reduction of 1% in GVA in 2011, which represents a return to a downward trend, following the slight recovery recorded in 2010, when this surplus grew by 2.9% (see Table 1 and Chart 1). This behaviour was largely due to the weakness displayed by national demand, against a background in which external activity made a more positive contribution, although it progressively lost momentum as the year passed. Table 2 confirms that the relative importance of exports increased, to reach 13.4% of total sales, up one percentage point from 2010.

An analysis at the sector level (see Table 3) shows that the decline in the buoyancy of activity extended to all sectors. However, the sharpest declines were recorded in wholesale and retail trade and accommodation and food service activities and in information and communication, which were more directly affected by the drop in private consumption. Thus, the GVA of the former sector fell by 2.2% in 2011, after growing by 3.2% in 2010, while in the information and communication sector the decline in GVA was more pronounced, at 5.3%, the same rate of contraction as recorded in 2010. In addition to the weakness of consumption, the existence of a highly competitive environment and the reduction in margins in telecommunications, as a result of the commercial strategies adopted by the large firms in this sector in recent years, also explains the magnitude of the decline in this aggregate. In other productive branches positive rates of change in GVA were recorded, although these were very low. Thus, GVA in the industrial sector grew by 0.1%, far below the rate of 20.7% that it grew by in 2010, despite the more expansionary behaviour displayed by this aggregate in the first few quarters, thanks to the boost from external activity. However, this component of demand lost momentum as the year passed, so that the rate of growth of the exports of industrial firms fell from 26.7% in 2011 Q1 to 1.1% in Q4. The subsectors other manufacturing, food, beverages and tobacco and manufacture of mineral and metal products were those that suffered the largest falls in GVA, of 7.9%, 6.8% and 3.4%, respectively.

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

TABLE 1

	CBA Structure	CBA		CBQ (a)		
	2010	2009	2010	2009 Q1-Q4/ 2008 Q1-Q4	2010 Q1-Q4/ 2009 Q1-Q4	2011 Q1-Q4/ 2010 Q1-Q4
DATABASES						
Number of corporations		9,836	8,347	806	813	749
Total national coverage (% of GVA)		31.0	29.1	12.7	13.2	12.0
PROFIT AND LOSS ACCOUNT						
1 VALUE OF OUTPUT (including subsidies)	100.0	-12.9	4.8	-13.7	8.5	9.0
<i>Of which:</i>						
<i>Net amount of turnover and other operating income</i>	147.7	-13.2	4.5	-13.5	9.3	11.7
2 INPUTS (including taxes)	65.8	-15.5	6.5	-16.6	11.6	14.4
<i>Of which:</i>						
<i>Net purchases</i>	93.4	-18.6	8.8	-23.1	17.0	21.0
<i>Other operating costs</i>	22.6	-6.6	1.5	-5.7	8.5	-0.1
S.1 GROSS VALUE ADDED AT FACTOR COST [1 – 2]	34.2	-7.8	1.6	-7.9	2.9	-1.0
3 Personnel costs	19.7	-3.3	-0.3	-1.9	-1.2	0.6
S.2 GROSS OPERATING PROFIT [S.1 – 3]	14.5	-13.7	4.3	-13.0	6.9	-2.3
4 Financial revenue	5.0	-19.3	2.4	-15.2	3.9	7.6
5 Financial costs	4.3	-29.0	-2.2	-31.2	1.5	9.6
6 Depreciation and operating provisions	6.5	-5.1	1.5	-1.4	4.8	3.3
S.3 ORDINARY NET PROFIT [S.2 + 4 – 5 – 6]	8.7	-13.9	8.9	-8.8	8.9	-7.0
7 Gains (losses) from disposals and impairment	-0.5	-	-	-	-	-
7 ¹ As a percentage of GVA (7/S.1)		4.5	-1.5	7.9	-2.7	-2.2
8 Changes in fair value and other gains (losses)	-0.9	3.8	38.5	-25.4	45.8	-97.4
8 ¹ As a percentage of GVA (8/S.1)		-4.5	-2.7	-7.8	-3.9	-6.1
9 Corporate income tax	1.1	31.2	30.2	-	20.4	-43.6
S.4 NET PROFIT [S.3 + 7 + 8 – 9]	6.2	44.6	-15.7	50.9	-14.6	-19.8
S. 4 ¹ As a percentage of GVA (S.4/S.1)		20.4	18.0	30.4	26.1	21.1
PROFIT RATIOS						
	Formulas (b)					
R.1 Return on investment (before taxes)	(S.3 + 5.1)/NA	6.2	6.1	6.2	6.3	5.6
R.2 Interest on borrowed funds/interest-bearing borrowing	5.1/IBB	3.5	3.3	3.3	3.2	3.5
R.3 Ordinary return on equity (before taxes)	S.3/E	8.7	8.8	8.8	9.0	7.4
R.4 ROI – cost of debt (R.1 – R.2)	R.1 – R.2	2.7	2.9	2.9	3.1	2.0

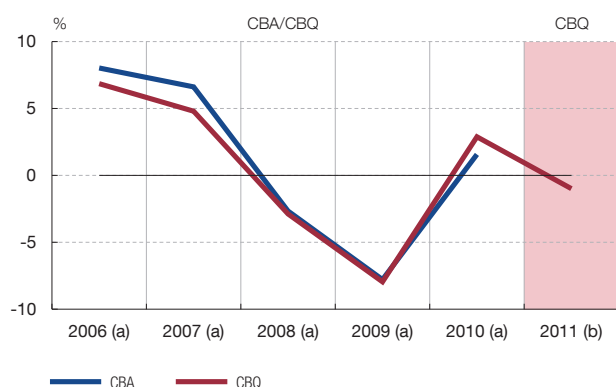
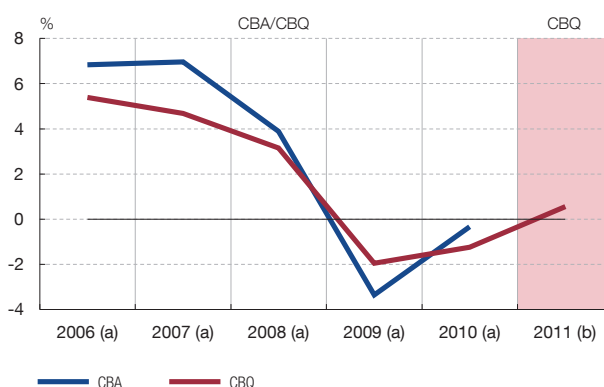
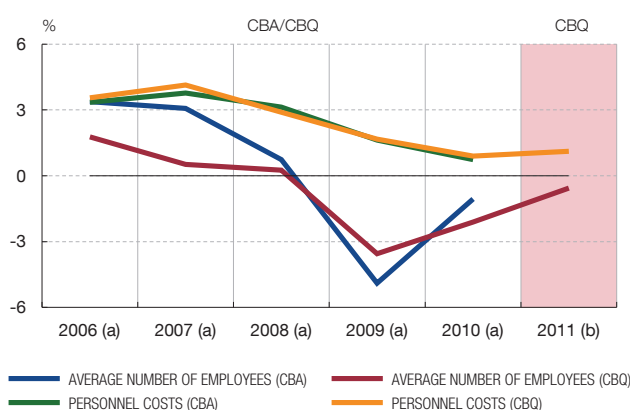
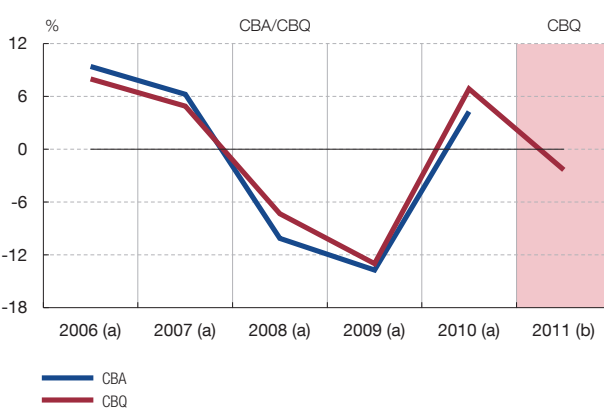
SOURCE: Banco de España.

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

b 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, 7 and 8.

In energy, GVA grew at a moderate rate in 2011, of 0.8%, well below the 9% rate by which it had grown the previous year, constrained by the loss of momentum in electricity, gas and water and, especially in oil refining. GVA in the latter subsector declined by 5.6% in 2011, in sharp contrast to the 85.5% increase recorded a year earlier. The GVA of electricity, gas and water firms grew by 1.5%, less than in the previous year, when it grew by 4.2%. Both the change in demand for electricity, 1.1% lower than in the previous year, and the increase in costs explain the slowdown in the activity of this subsector. Lastly, the aggregate that covers the other sectors recorded moderate GVA growth, of 1.2%, an improvement

GROSS VALUE ADDED AT FACTOR COST
 Rate of change

PERSONNEL COSTS
 Rate of change

EMPLOYMENT AND WAGES
 Rate of change

GROSS OPERATING PROFIT
 Rate of change

NON-FINANCIAL CORPORATIONS

		2006	2007	2008	2009	2010	2011
Number of corporations	CBA	9,276	9,321	9,639	9,836	8,347	—
	CBQ	832	851	819	806	813	749
% of GVA of the sector non-financial corporations	CBA	33.2	33.7	31.4	31.0	29.1	—
	CBQ	14.4	14.2	13.0	12.7	13.2	12.0

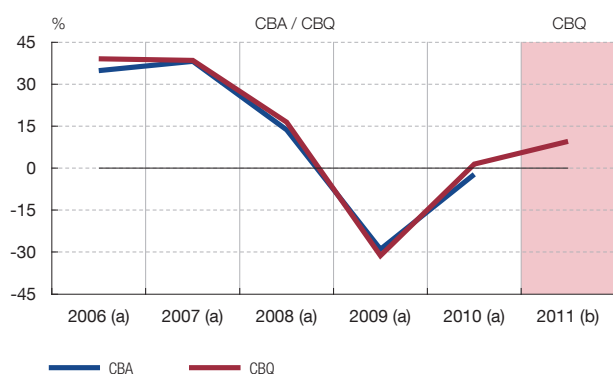
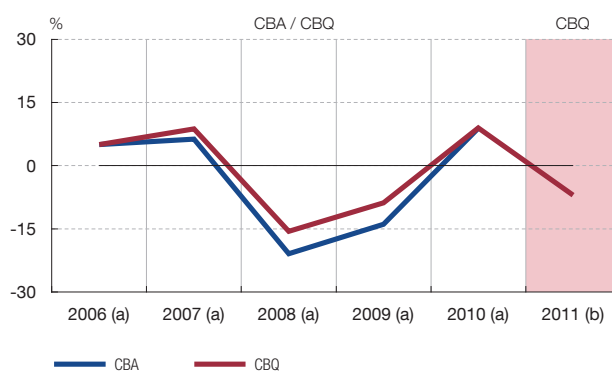
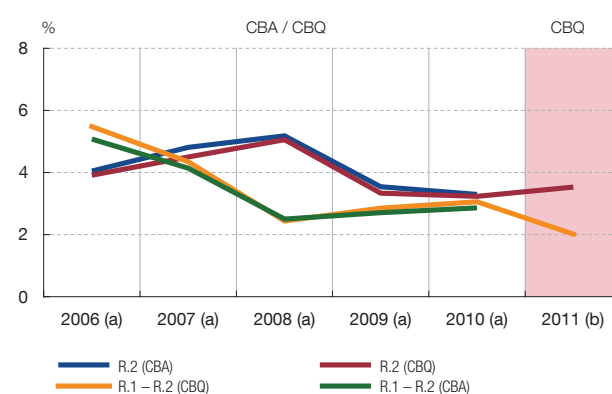
SOURCE: Banco de España.

a The 2006, 2007, 2008, 2009 and 2010 data are for the corporations reporting to the annual survey (CBA) and the average for the four quarters of each year in relation to the previous year (CBQ).

b Average of the four quarters of 2011 vis-à-vis the same period in 2010.

on 2010 however, when this surplus fell by 1%, owing to the contraction that year in the construction and real estate sectors.

Finally, Chart 2 presents for the last two years, percentiles of the distribution of firms according to their GVA growth rates. This information shows that there was a decline in the rates of change of GVA in each percentile, with respect to 2010, which was most pronounced in the case of the 75th percentile (the GVA of this group of firms grew by 17.6%, almost 6 pp less than in 2010). Overall, the 2011 results show somewhat less heterogeneous behaviour than in the previous year, with a reduction in the degree of dispersion of the indicator among firms, as seen, for example, in the reduction of the distance between the extreme percentiles.

FINANCIAL COSTS
Rate of changeORDINARY NET PROFIT
Rate of changeRETURN ON INVESTMENT (R.1)
RatiosCOST OF DEBT (R.2) AND ROI - COST OF DEBT (R.1 - R.2)
Ratios

NON-FINANCIAL CORPORATIONS

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SOURCE: Banco de España.

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b Average of the four quarters of 2011 vis-à-vis the same period in 2010.

Employment and
personnel costs

Personnel costs grew in 2011 by 0.6%, having fallen by 1.2% in 2010 (see Table 3). The moderate acceleration in these costs is mainly a consequence of the lower rate of job destruction last year in the firms that make up the CBQ sample, since average compensation grew by 1.1%, only 0.2 pp more than in 2010.

The data on the average number of employees confirm that firms continued to reduce their workforces in 2011, although at a lower rate than in previous periods. Thus, employment fell by 0.6% in 2011, a 1.5 pp smaller fall than a year earlier. The Table 4 data also confirm this pattern, since although more than half of the firms (53.1%) continued to reduce their average workforces in 2011, the decline in this proportion, from its 2009

PURCHASES AND TURNOVER OF CORPORATIONS REPORTING DATA ON PURCHASING SOURCES AND SALES DESTINATIONS
Structure and rate of change. Percentages

TABLE 2

		CBA		CBQ (a)	
		2009	2010	2010 Q1-Q4	2011 Q1-Q4
Total corporations		8,347	8,347	749	749
Corporations reporting source/destination		8,347	8,347	713	713
Percentage of net purchases according to source	Spain	68.5	65.6	82.0	82.6
	Total abroad	31.5	34.4	18.0	17.4
	EU countries	17.0	17.0	12.8	12.8
	Third countries	14.5	17.4	5.2	4.7
Percentage of net turnover according to destination	Spain	85.1	83.3	87.6	86.6
	Total abroad	14.9	16.7	12.4	13.4
	EU countries	10.1	11.2	8.2	9.1
	Third countries	4.8	5.5	4.2	4.2
Change in net external demand (exports less imports), rate of change	Industry	22.9	1.1	16.5	25.0
	Other corporations	39.3	-24.8	-	44.5

SOURCE: Banco de España.

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

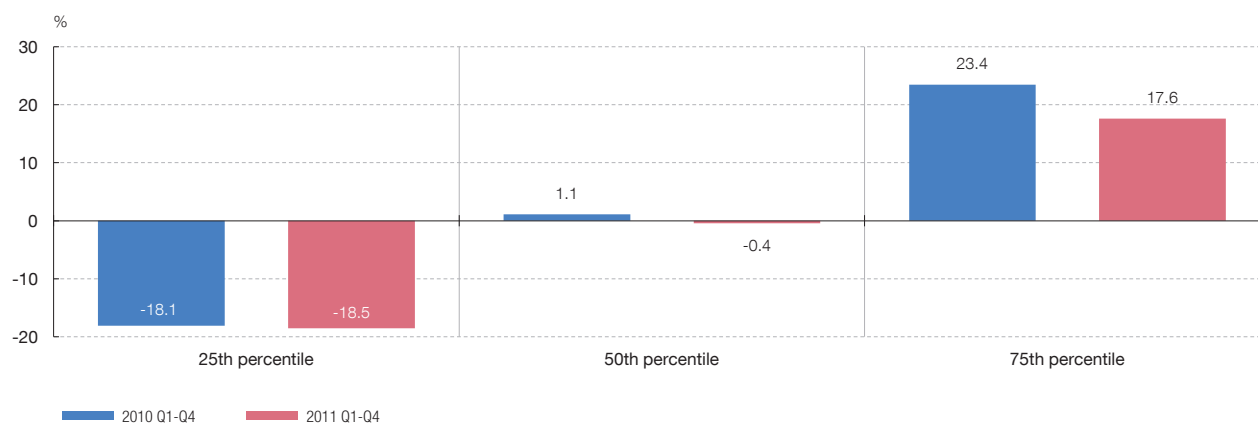
VALUE ADDED, EMPLOYEES, PERSONNEL COSTS AND COMPENSATION PER EMPLOYEE. BREAKDOWN BY SIZE AND MAIN ACTIVITY OF CORPORATIONS
Growth rate of the same corporations on the same period a year earlier. Percentages

TABLE 3

	Gross value added at factor cost				Employees (average for period)				Personnel costs				Personnel costs per employee			
	CBA		CBQ (a)		CBA		CBQ (a)		CBA		CBQ (a)		CBA		CBQ (a)	
	2009	2010	2010 Q1-Q4	2011 Q1-Q4	2009	2010	2010 Q1-Q4	2011 Q1-Q4	2009	2010	2010 Q1-Q4	2011 Q1-Q4	2009	2010	2010 Q1-Q4	2011 Q1-Q4
TOTAL	-7.8	1.6	2.9	-1.0	-4.9	-1.1	-2.1	-0.6	-3.3	-0.3	-1.2	0.6	1.6	0.7	0.9	1.1
SIZE																
Small	-11.4	-3.8	—	—	-7.1	-4.3	—	—	-6.2	-3.1	—	—	1.0	1.3	—	—
Medium	-8.7	0.9	4.9	0.8	-5.7	-2.0	-3.3	-1.6	-4.1	-0.7	-1.3	0.0	1.7	1.3	2.0	1.6
Large	-7.6	1.8	2.8	-1.1	-4.7	-0.8	-2.1	-0.5	-3.1	-0.2	-1.2	0.6	1.6	0.6	0.8	1.1
BREAKDOWN OF ACTIVITIES																
Energy	-6.6	7.6	9.0	0.8	-1.9	-2.1	-2.3	-1.8	0.7	0.5	0.3	0.4	2.6	2.6	2.6	2.2
Industry	-16.1	8.6	20.7	0.1	-7.1	-2.4	-2.4	-0.1	-6.8	-0.1	-0.9	1.8	0.3	2.3	1.5	1.9
Wholesale and retail trade and accommodation and food service activities	-6.4	1.8	3.2	-2.2	-5.1	-0.5	-0.8	2.1	-3.9	0.5	0.2	2.5	1.3	1.0	1.1	0.4
Information and communication	-5.3	-4.9	-5.3	-5.3	-2.8	-1.7	-1.7	-0.4	-0.8	-0.3	0.6	2.2	2.0	1.4	2.4	2.6
Other activities	-4.3	-2.3	-1.0	1.2	-4.4	-0.6	-3.0	-2.4	-2.2	-1.1	-2.9	-1.5	2.3	-0.5	0.1	1.0

SOURCE: Banco de España.

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



SOURCE: Banco de España.

PERSONNEL COSTS AND EMPLOYEES Percentage of corporations in specific situations

TABLE 4

	CBA			CBQ (a)		
	2008	2009	2010	2009 Q1-Q4	2010 Q1-Q4	2011 Q1-Q4
Number of corporations	9,639	9,836	8,347	806	813	749
PERSONNEL COSTS	100	100	100	100	100	100
Falling	32.1	57.4	48.6	57.3	49.5	48.2
Constant or rising	67.9	42.6	51.4	42.7	50.5	51.8
AVERAGE NUMBER OF EMPLOYEES	100	100	100	100	100	100
Falling	42.1	54.7	46.6	62.4	56.0	53.1
Constant or rising	57.9	45.3	53.4	37.6	44.0	46.9

SOURCE: Banco de España.

a Weighted average of the relevant quarters for each column.

peak of 62.4% of the sample firms, continued. This shows that, within the CBQ sample, a large and growing percentage of firms have managed during the last two years to maintain or increase their workforces. A more detailed analysis of this aggregate suggests that certain aspects associated with balance sheet soundness, moderation in the growth of average wages or a higher weight of external activity may have had a positive influence, encouraging the creation of jobs (see Box 1). Distinguishing by type of contract, the bulk of the adjustment continued to be concentrated in temporary employment, which declined by 6.9% in 2011 (see Table 5), while the number of workers with permanent contracts grew slightly (0.6%). At the sector level, there were reductions in employment almost right across the board, although they were more moderate than in 2010 (see Table 3). The wholesale and retail trade and accommodation and food service activities sector stands out as the one sector to show a positive change in the average number of workers (2.1%).

Average compensation grew by 1.1%, a slight acceleration from the previous year's growth rate of 0.9% (see Table 3). This acceleration is more apparent in some sectors, such as

One of the most negative consequences of the crisis affecting the Spanish economy in recent years has been the destruction of jobs. This phenomenon was especially severe in 2009, but continued in 2010 and in 2011. The latest CBQ data confirm this pattern, for the economy as a whole, reflecting a fall in average employment of 2.1% in 2010 and 0.6% in 2011. However, a more detailed analysis of this aggregate shows that these developments have been compatible with the existence of a certain proportion of companies that have reported, during these same years, no change or even increases in their average level of employment, which illustrates the high degree of heterogeneity in hiring decisions in the corporate sector. Specifically, around 12% of the firms reporting to the CBQ kept their staff levels unchanged in each of the last two years, while the percentage of those that increased their workforces stood at 32% in 2010 and 35% in 2011. Against this background, the purpose of this box is to analyse the differences between those firms that maintain or increase employment levels and those that reduce them in terms of a set of economic and financial variables, presenting a sectoral breakdown covering the sectors best represented in the sample (energy, industry, wholesale and retail trade, and information and communication). This exercise is useful to understand which characteristics have contributed over the last two years to the greater resilience of the employment figures of one group of firms vis-à-vis the others.

Panel 1 of the chart presents, for each sector, the proportion of firms that increased, maintained and reduced their average workforces in 2010 and in 2011. As in the case of the sample as a whole, the aggregate loss of employment was compatible in most sectors with the existence of a high proportion of firms in which no staff reductions were recorded. In energy, this proportion stood, notably, at around 60% in both years. When only those firms in which there was an increase in the number of workers are considered, the proportion is still above 25% in every sector, the information and communication sector standing out with 47% of its firms increasing their employment in 2011.

Turning to an analysis of the characteristics of the firms, the return on assets of those that maintained or increased their workforces is generally seen to be greater than that of those that reduced them. Thus, in 2010 and 2011 the median profitability of the first group was clearly higher than that of the second (4.8%, as against 3% in the first year, and 5.5% as against 3.2% in the second year), with the same pattern being repeated in practically all the sectors considered (see Panel 2 of the chart). The industrial sector, in both years, and information and communication, in the second, are those that show the clearest contrast between the two samples, with a difference of more than 3 pp in their median profitability.

Analysis of the ratio between the level of borrowing and ordinary profit (defined as gross operating profit plus financial revenue) also shows clearly contrasting behaviour between these two

groups; firms with falling employment generally have higher levels of this indicator. Again, this pattern is detected in all sectors, with the sole exception of energy (see Panel 3 of the chart).

At the same time, it can be seen that the proportion of firms in a less favourable financial position (deemed to be those that report a negative gross operating profit, after financial revenue and financial costs are taken into account) is lower in the group of firms that increase or do not change their level of employment. Thus, in the two years analysed, while 22% of firms that did not destroy jobs were in a less favourable financial position, this proportion was 27% and 29% among firms that did destroy employment in 2010 and 2011, respectively. In this case too the difference between these two groups extends to most sectors (see Panel 4 of the chart).

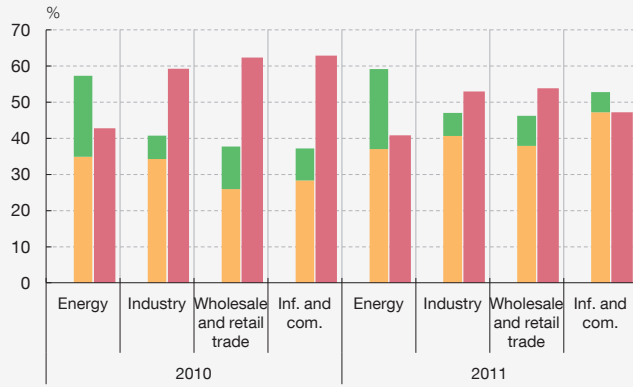
Significant differences are also discerned between the two groups of firms as regards the behaviour of average compensation per worker. Thus, for CBQ firms that increased or maintained their employment levels, the median increase in costs per worker was 0.7% in 2010, while for those that reduced their workforces it was 2.5%, a pattern that was also recorded last year (0.5%, as against 2.4%, respectively) and that is detected in all the sectors considered (see Panel 5 of the chart). This result probably reflects the favourable effects for job creation associated with wage moderation, although it cannot be ruled out that the differences between the two groups are also partly a consequence of changes in the composition of employment, according to levels of remuneration (for example, if the jobs that are destroyed and/or the new jobs pay below average wages).

Finally, the relative importance of external activity in the two samples analysed has been studied. Over the last two years, the firms that maintained or increased their workforces had a higher proportion of external sales than those that destroyed jobs (see Panel 6 of the chart), with the sole exception of the energy sector in 2011 (in which the opposite was the case) and wholesale and retail trade in 2010 (when differences are barely discerned).

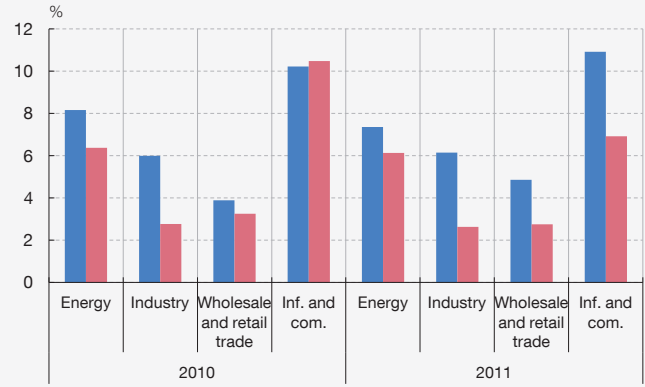
In short, the Central Balance Sheet Data Office information shows that, despite the present background of economic crisis and declining employment, in 2010 and 2011 a significant proportion of firms maintained or even increased their workforces. The companies in this situation are characterised by having, in comparison with those that report reductions in their workforces, higher profitability, lower levels of debt relative to profit generated, a less vulnerable financial position, smaller increases in their average personnel costs and a higher weight of exporting activity. Although merely based on a bivariate analysis, so that firm conclusions cannot be drawn regarding causality, these results point to a positive relationship between the soundness of firms' balance sheets, wage moderation and presence in external markets, on the one hand, and job creation, on the other.

FIRM INDICATORS ACCORDING TO CHANGE IN AVERAGE EMPLOYMENT (a)

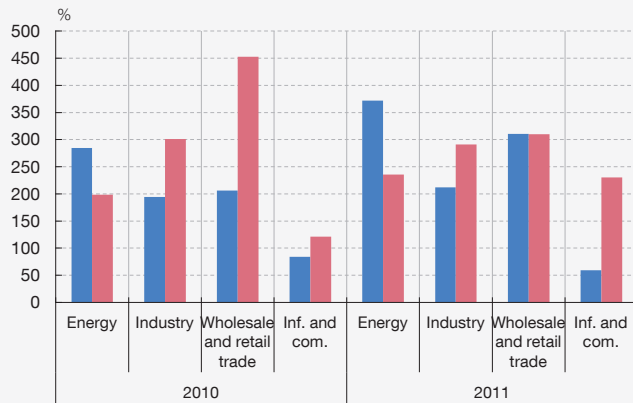
1 PERCENTAGE OF FIRMS ACCORDING TO CHANGE IN AVERAGE NUMBER OF EMPLOYEES



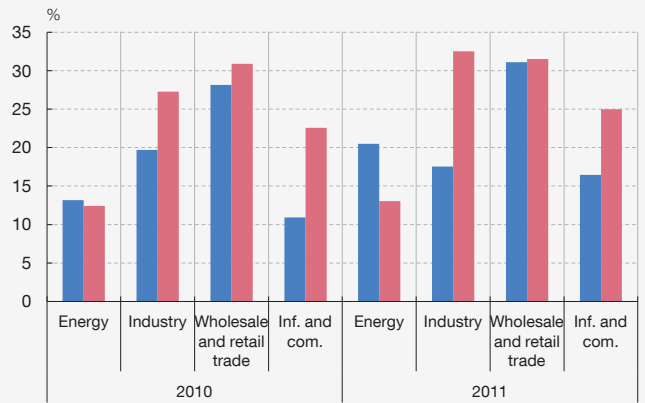
2 RETURN ON INVESTMENT (b)



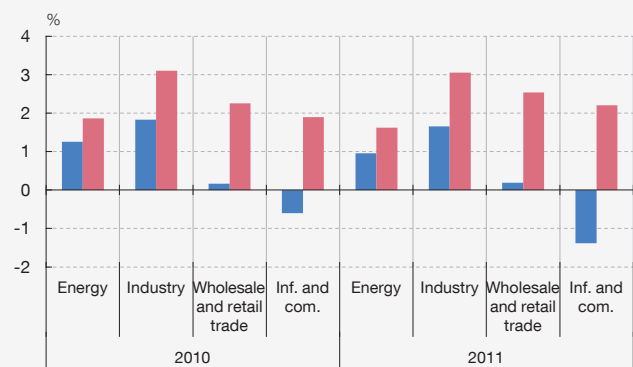
3 DEBT (c)



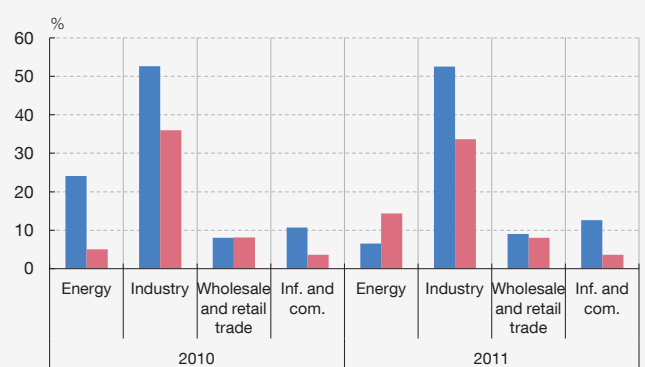
4 PERCENTAGE OF FIRMS IN A LESS FAVOURABLE FINANCIAL POSITION (d)



5 CHANGE IN AVERAGE COMPENSATION PER EMPLOYEE (b)



6 EXPORTS AS A PERCENTAGE OF TOTAL SALES (b)



■ FIRMS INCREASING OR MAINTAINING EMPLOYMENT ■ FIRMS REDUCING EMPLOYMENT
■ FIRMS INCREASING EMPLOYMENT ■ FIRMS MAINTAINING EMPLOYMENT LEVELS

SOURCE: Banco de España.

- a Holding companies are not included.
- b Median level of indicator.
- c Median of the ratio interest-bearing borrowing/(GOP + financial revenue).
- d Firms whose gross operating profit after financial revenue and costs (GOP + financial revenue - financial costs) is negative.

	Total CBQ corporations 2011 Q1-Q4	Corporations increasing (or not changing) staff levels	Corporations reducing staff levels
Number of corporations	749	378	371
NUMBER OF EMPLOYEES			
Initial situation 2010 Q1-Q4 (000s)	675	343	332
Rate 2011 Q1-Q4/2010 Q1-Q4	-0.6	4.8	-6.1
Permanent			
Initial situation 2010 Q1-Q4 (000s)	573	299	274
Rate 2011 Q1-Q4/2010 Q1-Q4	0.6	4.2	-3.5
Non-permanent			
Initial situation 2010 Q1-Q4 (000s)	102	44	58
Rate 2011 Q1-Q4/2010 Q1-Q4	-6.9	8.7	-18.8

SOURCE: Banco de España.

industry, in which average wages rose by 1.9%, almost half a percentage point more than in 2010. In other sectors, such as energy, and information and communication, increases of more than 2% in compensation per employee were recorded, although these rates were similar to those recorded the previous year. At the other extreme, the wholesale and retail trade and accommodation and food service activities sector, stood out as being the one in which wage costs were most contained, with growth of 0.4%.

Profits, rates of return and debt

In line with the contractionary trend in activity, gross operating profit also declined in 2011, by 2.3%, in contrast to the growth of 6.9% in this surplus in 2010.

Financial revenues increased by 7.6% in 2011, due to the impact on this item of higher interest receipts, against a background of interest rate rises during the first half of the year, while dividend receipts slowed significantly, growing by only 2.2%, after growth of 10.8% in 2010.

Financial costs also increased during the period analysed (by 9.6%), following the mild rise recorded in 2010 (1.5%), causing the ratio that measures the debt burden to rise (see Chart 3), after falling for two years running. The increase in such costs was in line with the upward trend in interest rates during the first half of the year, which raised the cost of debt for firms to 3.5% on average in 2011, up 0.3 pp from 2010. The information in Table 6 confirms that the main cause of the growth in financial costs in 2011 was the change due to the cost, while the changes in debt had a practically negligible effect, as a consequence of the low level of new borrowing. This is consistent with the slack investment climate existing in the Spanish economy, which was also corroborated by the data provided by the CBQ on the developments in gross fixed capital formation for this sample of firms, which show a sharp fall, of approximately 19% in this investment flow in 2011. Despite the stability of external liabilities, the ratio E1, between interest-bearing borrowing and net assets, and, to a lesser extent, E2, which approximates the ability to repay, rose slightly, as a consequence of the fall in the denominators of these indicators (see Chart 3).

The developments described caused ordinary net profit to fall in 2011 by 7%, as compared with a rise of 8.9% the previous year. The deterioration in ordinary net profit led to a reduction in profitability levels. Thus, the ratio that approximates the return on investment

DEBT RATIOS

CHART 3

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

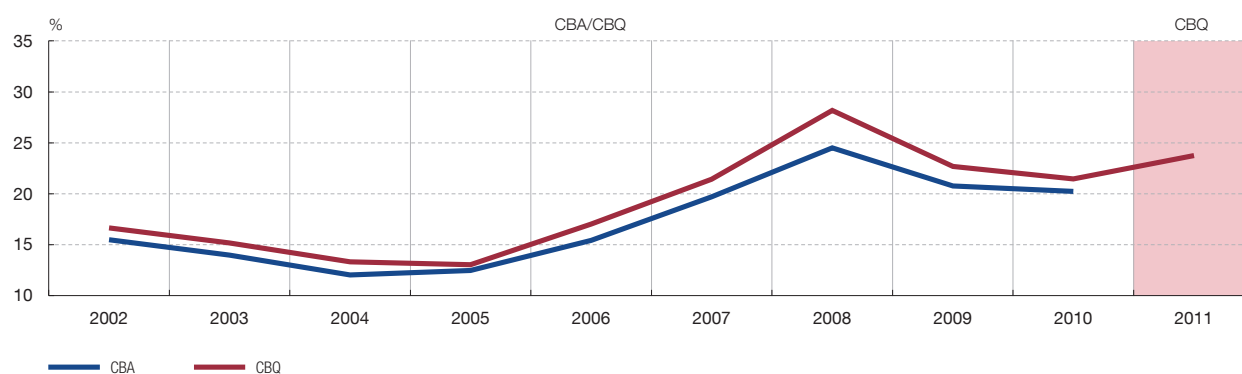


E2. INTEREST-BEARING BORROWING/(GOP + financial revenue) (b)
Ratios



	2006	2007	2008	2009	2010	2011		2006	2007	2008	2009	2010	2011
CBA	46.8	46.8	48.2	47.5	47.2		CBA	416.4	427.0	492.6	584.5	576.7	
CBQ	45.3	45.8	46.9	46.8	46.8	47.7	CBQ	530.1	531.6	583.8	682.1	671.3	680.1

INTEREST BURDEN
(Interest on borrowed funds)/(GOP + financial revenue)



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
CBA	15.5	14.0	12.0	12.5	15.4	19.7	24.5	20.8	20.2	
CBQ	16.7	15.2	13.3	13.0	17.0	21.4	28.2	22.7	21.4	23.8

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).

ANALYSIS OF DEVELOPMENTS IN FINANCIAL COSTS
Percentages

TABLE 6

	CBA	CBQ
	2010/2009	2011 Q1-Q4/2010 Q1-Q4
Change in financial costs	-2.2	9.6
A Interest on borrowed funds	-2.8	10.9
1 Due to the cost (interest rate)	-6.9	11.3
2 Due to the amount of interest-bearing debt	4.1	-0.4
B Other financial costs	0.6	-1.3

SOURCE: Banco de España.

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

TABLE 7

BREAKDOWN BY SIZE AND MAIN ACTIVITY OF CORPORATIONS

Ratios and growth rates of the same corporations on the same period a year earlier. Percentages

	Gross operating profit				Ordinary net profit				Return on investment (R.1)				ROI – cost of debt (R.1 – R.2)			
	CBA		CBQ (a)		CBA		CBQ (a)		CBA		CBQ (a)		CBA		CBQ (a)	
	2009	2010	2010 Q1-Q4	2011 Q1-Q4	2009	2010	2010 Q1-Q4	2011 Q1-Q4	2009	2010	2010 Q1-Q4	2011 Q1-Q4	2009	2010	2010 Q1-Q4	2011 Q1-Q4
TOTAL	-13.7	4.3	6.9	-2.3	-13.9	8.9	8.9	-7.0	6.2	6.1	6.3	5.6	2.7	2.9	3.1	2.0
SIZE																
Small	-23.8	-5.9	—	—	-42.6	6.2	—	—	3.7	3.7	—	—	-0.9	0.2	—	—
Medium	-16.8	4.1	15.4	2.1	-22.7	18.2	39.4	8.7	4.7	5.0	5.8	6.4	0.8	1.7	2.7	3.1
Large	-13.3	4.5	6.6	-2.5	-12.9	8.4	8.3	-7.5	6.4	6.2	6.3	5.5	2.8	2.9	3.1	2.0
BREAKDOWN OF ACTIVITIES																
Energy	-9.9	11.1	11.6	1.0	-17.1	5.3	-0.4	-11.7	6.7	6.2	6.4	5.4	3.1	2.9	3.1	2.0
Industry	-30.2	25.5	92.4	-2.9	-51.0	73.4	-	-4.7	4.0	6.1	4.6	3.7	0.4	2.4	0.7	-0.4
Wholesale and retail trade and accommodation and food service activities	-10.7	4.4	8.7	-10.4	-4.3	5.2	14.7	-10.1	6.9	7.9	7.5	5.6	3.2	4.2	4.3	1.8
Information and communication	-7.5	-7.2	-7.2	-8.3	-15.0	-8.7	-10.4	-11.4	22.0	23.3	27.1	24.4	17.2	19.1	22.7	20.1
Other activities	-10.2	-5.8	3.6	6.6	33.3	1.7	38.2	17.6	5.2	4.8	5.1	4.7	1.9	1.6	2.0	1.2

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 8

		CBQ (a)			
		Return on investment (R.1)		Ordinary return on equity (R.3)	
		2010 Q1-Q4	2011 Q1-Q4	2010 Q1-Q4	2011 Q1-Q4
Number of corporations		813	749	813	749
Percentage of corporations by profitability bracket	R ≤ 0	30.4	30.2	34.6	34.7
	0 < R ≤ 5	24.8	23.8	17.5	16.0
	5 < R ≤ 10	14.8	15.3	10.7	11.0
	10 < R ≤ 15	7.4	8.3	7.9	8.6
	15 < R	22.7	22.4	29.3	29.7
MEMORANDUM ITEM: Average return		6.3	5.6	9.0	7.4

SOURCE: Banco de España.

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

fell by 0.7 pp, to 5.6%, while the return on equity fell more sharply, to stand at 7.4%, as against 9% in 2010. By sector, the same pattern of decline was seen across all sectors, without exception (see Table 7). However, the aggregate fall in average returns was compatible with a slight shift in the distribution of this indicator towards somewhat higher levels of profitability (see Table 8). Moreover, medium-sized firms displayed more favourable behaviour, their return on investment rising to 6.4% in 2011, up 0.6 pp from the previous year. All this suggests that the aggregate data for ordinary net profit are influenced by the behaviour of the larger firms. Finally, the difference between the return on investment and the cost of debt fell by somewhat more than one percentage point to 2%. This value is the lowest recorded in the quarterly sample since 1997, when it stood at 1.1%. The deterioration in this indicator occurred in every sector, and a negative value was even recorded in certain cases, such as industry (-0.4%).

Finally, the analysis of extraordinary costs and revenue shows that these had a negative impact on net profit. On one hand, the item reflecting the gains (losses) from disposals showed significant capital losses last year arising from share sales. In addition, under the heading that covers other extraordinary results, numerous extraordinary provisions were recorded, to provide for the expenses associated with workforce restructuring processes. As a consequence of all this, net profit fell by 19.8% in 2011. As a proportion of GVA, this surplus stood at 21.1%, down five percentage points from 2010.

13.3.2012

