

RESULTS OF NON-FINANCIAL CORPORATIONS IN 2013 Q1

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Overview¹

The information sent by the firms reporting to the Central Balance Sheet Data Office's Quarterly Survey (CBQ) reveals that the productive activity of these companies contracted once again in 2013 Q1, and that it did so more sharply than in the same period of the previous year. Specifically, gross value added (GVA) fell by 5.8% in year-on-year terms, while in 2012 Q1 it declined by 3.6%. The decrease was in all sectors, against a background of ongoing fall in domestic demand and a continuing positive effect of exports on turnover.

Personnel costs declined by 1.5%, compared with a decrease of 1% in 2012 Q1. This resulted in a sharper fall in employment (down by 3%, twice the fall a year earlier), which was partially offset by the rise in average compensation (up by 1.5%, against 0.5% in the same period of 2012), basically due to the increase in the maximum social security contribution base. Thus the year-on-year rate of change of wages and salaries, which do not include employer social security contributions, was 0.6% in 2013 Q1.

Gross operating profit (GOP) contracted by 9.5%, a worse performance than a year earlier, when this item decreased by 5.9%. By contrast, financial revenue increased notably (30.4%), driven by the higher dividends received, while interest income declined by 7.9%. Financial costs decreased (by 2.3%), mainly as a result of the year-on-year decline in corporate debt, since the cost of borrowing scarcely underwent significant changes.

Ordinary net profit (ONP) fell by 11%, compared with a drop of 38.1% in the same period of the previous year. This performance of ordinary profit gave rise to a further decline in profitability, in terms of both the ratio relative to net assets, which fell by 0.6 pp to 3%, and that relative to equity, which dropped to 2.6%, 1 percentage point (pp) below the value reached in the previous year. Meanwhile, the cost of debt held fairly steady at around 3.5%, so the difference between the return on investment and this indicator continued to decrease, to the point that in 2013 Q1 it turned slightly negative (-0.5%).

The decrease in liabilities in 2012 did not continue in the early months of 2013, since they increased somewhat, although their levels continued below those in the same period of the previous year. Hence the ratio E1 (calculated as interest-bearing debt/net assets) increased in comparison with the values at end-2012. This also explains the slight rise in the ratio E2 (ratio of debt to the sum of gross operating profit and financial revenue), which was likewise affected by the unfavourable course of corporate profits. The interest burden ratio also increased moderately, since in Q1 financial costs decreased by somewhat less than ordinary profit, the denominator of this indicator.

Finally, the analysis of extraordinary costs and revenue shows that in 2013 Q1 the behaviour of these items had an adverse effect on profit for the year. Thus this period saw some significant losses on financial asset sales, to which must be added the negative effect of

¹ This article is based on the quarterly information sent to the Central Balance Sheet Data Office by 704 reporting corporations up to 12 June. In terms of GVA, this sample accounts for 12.2% of the non-financial corporations sector.

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

| DATABASES | CBA Structure | CBA | | CBQ | | |
|---|------------------|--------|-------|-------------------------------|---------------------|---------------------|
| | 2011 | 2010 | 2011 | 2012 Q1-Q4/ 2011 Q1-Q4 (a) | 2012 Q1/ 2011 Q1 | 2013 Q1/ 2012 Q1 |
| Number of corporations | | 10,107 | 8,408 | 823 | 874 | 704 |
| Total national coverage (% of GVA) | | 31.4 | 28,2 | 12,7 | 14.0 | 12.2 |
| PROFIT AND LOSS ACCOUNT: | | | | | | |
| 1 Value of output (including subsidies) | 100.0 | 4.4 | 4.4 | 1.3 | 3.9 | -5.1 |
| <i>Of which:</i> | | | | | | |
| <i>Net amount of turnover and other operating income</i> | 146.5 | 4.3 | 4.4 | 2.4 | 7.4 | -5.3 |
| 2 Inputs (including taxes) | 67.9 | 6.1 | 7.3 | 3.7 | 7.4 | -4.8 |
| <i>Of which:</i> | | | | | | |
| <i>Net purchases</i> | 94.6 | 8.0 | 6.7 | 4.8 | 9.6 | -6.1 |
| <i>Other operating costs</i> | 21.9 | 1.8 | 0.1 | 0.0 | 0.8 | -1.8 |
| S.1 GROSS VALUE ADDED AT FACTOR COST [1 – 2] | 32.1 | 1.1 | -1.4 | -4.1 | -3.6 | -5.8 |
| 3 Personnel costs | 18.9 | -0.1 | 0.4 | -2.4 | -1.0 | -1.5 |
| S.2 GROSS OPERATING PROFIT [S.1 – 3] | 13.1 | 3.1 | -3.9 | -5.6 | -5.9 | -9.5 |
| 4 Financial revenue | 5.4 | 4.8 | 6.1 | -7.5 | -51.2 | 30.4 |
| 5 Financial costs | 4.9 | -2.4 | 11.8 | 0.4 | 2.5 | -2.3 |
| 6 Depreciation, impairment and operating provisions | 6.6 | 1.5 | 0.3 | -1.8 | 0.7 | 0.7 |
| S.3 ORDINARY NET PROFIT [S.2 + 4 – 5 – 6] | 7.1 | 8.6 | -9.6 | -12.7 | -38.1 | -11.0 |
| 7 Gains (losses) from disposals and impairment | -0.5 | - | -39.0 | - | - | -93.4 |
| 7' As a percentage of GVA (7/S.1) | | -0.9 | -1.7 | -18.2 | -3.0 | -6.5 |
| 8 Changes in fair value and other gains (losses) | -1.5 | 35.3 | -70.8 | 7.4 | - | -56.7 |
| 8' As a percentage of GVA (8/S.1) | | -2.6 | -4.6 | -6.3 | -3.6 | -4.6 |
| 9 Corporate income tax | 0.5 | 35.8 | -54.6 | - | -50.3 | -20.1 |
| S.4 NET PROFIT [S.3 + 7 – 8] | 4.6 | -11.7 | -17.3 | -71.4 | -58.3 | -48.2 |
| S. 4' As a percentage of GVA (S.4/S.1) | | 17.6 | 14.3 | 6.3 | 11.4 | 6.3 |
| PROFIT RATIOS | Formulas (b) | | | | | |
| R.1 Return on investment (before taxes) | (S.3 + 5.1) / NA | 5.9 | 5.5 | 5.4 | 3.6 | 3.0 |
| R.2 Interest on borrowed funds/interest-bearing borrowing | 5.1 / IBB | 3.3 | 3.6 | 3.6 | 3.6 | 3.5 |
| R.1 Return on investment (before taxes) | S.3 / E | 8.3 | 7.2 | 7.1 | 3.6 | 2.6 |
| R.2 Interest on borrowed funds/interest-bearing borrowing | R.1 – R.2 | 2.6 | 1.8 | 1.9 | 0.0 | -0.5 |

SOURCE: Banco de España.

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

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

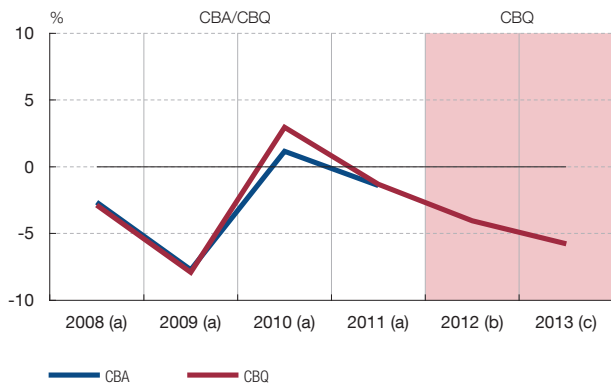
b NA = Net assets (net of non-interest-bearing borrowing); E = Equity; IBB = Interest-bearing-borrowing; NA = E + IBB. The financial costs in the numerators of ratios R.1 and R.2 only include the portion of financial costs that is interest on borrowed funds (5.1) and not other financial costs (5.2).

other extraordinary results (basically, exchange losses and severance payments). The outcome of all this was that net profit for the year fell by 48.2%. Relative to GVA, it stood at 6.3%, some 5 pp less than in the same period of the previous year. This is, moreover, the lowest value of this indicator for a first quarter in the time series published by the Central Balance Sheet Data Office Quarterly Survey (CBQ).

Activity

In 2013 Q1 the GVA of the corporations reporting to the CBQ decreased by 5.8%, compared with a fall of 3.6% a year earlier (see Table 1 and Chart 1). This took place against a backdrop of ongoing decline in domestic demand and of rising exports, although the latter slowed in comparison with the same period of 2012. Thus the breakdown of turnover by

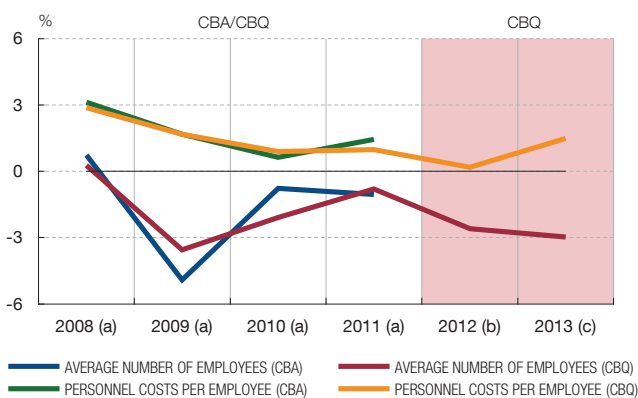
GROSS VALUE ADDED AT FACTOR COST
Rate of change



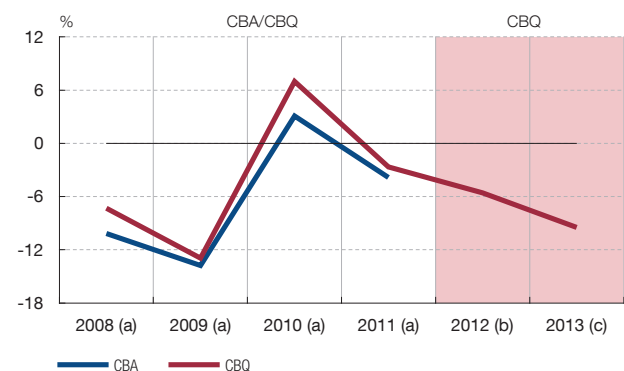
PERSONNEL COSTS
Rate of change



EMPLOYMENT AND WAGES
Rate of change



GROSS OPERATING PROFIT
Rate of change



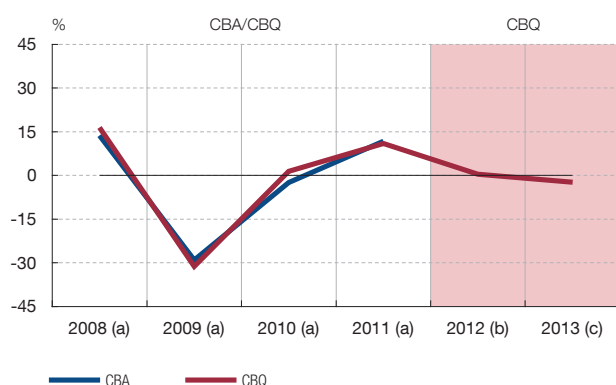
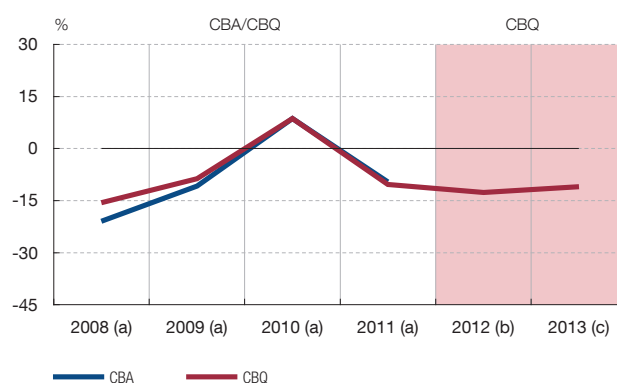
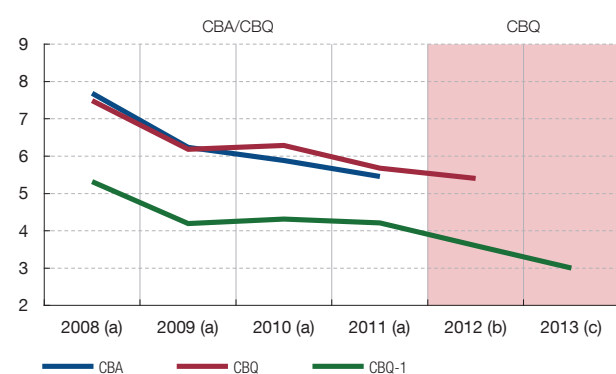
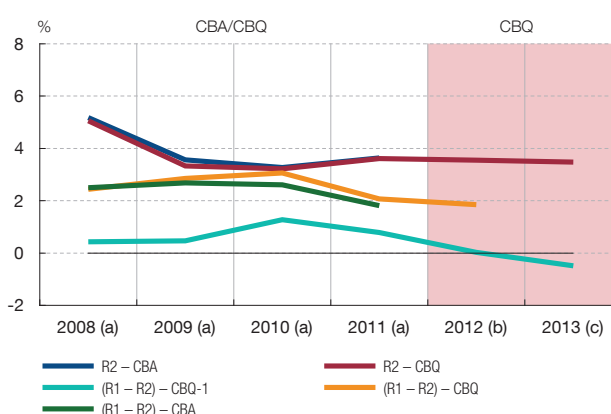
| Reporting non-financial corporations | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|-----|-------|-------|--------|-------|------|------|
| Number of corporations | CBA | 9,639 | 9,792 | 10,107 | 8,408 | — | — |
| | CBQ | 819 | 805 | 813 | 824 | 823 | 704 |
| % of GVA of the sector non-financial corporations | CBA | 31.3 | 30.2 | 31.4 | 28.2 | — | — |
| | CBQ | 12.9 | 12.6 | 13.0 | 12.9 | 12.7 | 12.2 |

SOURCE: Banco de España.

- a The 2008, 2009, 2010 and 2011 data are for the corporations reporting to the annual survey (CBA) and the average data of the four quarters of each year in relation to the previous year (CBQ).
- b Average of the four quarters of 2012 relative to the same period in 2011.
- c 2013 Q1 data relative to the same period in 2012.

destination shows how cross-border transactions grew by 3%, as against an increase of 9.5% in 2012 Q1. Meanwhile, domestic sales fell by 6.6%. Hence activity with the rest of the world rose to 16.8% of total sales (nearly 1.5 pp more than in 2012) (see Table 2).

The sectoral breakdown shows that the fall in GVA was across the board (see Table 3). Energy underwent the largest fall (7.8% compared with 1% a year earlier). Noteworthy within this sector were the declines in the electricity, gas and water supply sub-sector (by 5.5%) and in oil refining firms (32.5%). The falls in distributive trade, in accommodation and food service activities and in information and communication, affected by weak con-

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

| Reporting non-financial corporations | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|-----|-------|-------|--------|-------|------|------|
| Number of corporations | CBA | 9,639 | 9,792 | 10,107 | 8,408 | — | — |
| | CBQ | 819 | 805 | 813 | 824 | 823 | 704 |
| % of GDP of the sector non-financial corporations | CBA | 31.3 | 30.2 | 31.4 | 28.2 | — | — |
| | CBQ | 12.9 | 12.6 | 13.0 | 12.9 | 12.7 | 12.2 |

SOURCE: Banco de España.

- a The 2008, 2009, 2010 and 2011 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 2012. The rates are calculated relative to the same period in 2011.
c 2013 Q1 data. In the case of rates calculations are made relative to the same period in 2012.

sumption, were also marked (6% and 4.9%, respectively). In industry the contraction was 3.6%, following a negative pattern in nearly all sub-sectors, which was more marked in food, beverages and tobacco, in manufacture of chemicals and chemical products and in manufacture of computer, electronic and optical products, with falls of 8.3%, 6.6% and 5.2%, respectively. Finally, in the group that covers other activities GVA fell by 4.6%, with the worst performance recorded in other services and in construction and real estate.

Chart 2 shows that GVA was less buoyant in all quartiles of the distribution, with decreases in growth rates of between 1 pp and 2 pp with respect to 2012 Q1. Also, these figures

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

TABLE 2

Structure and rate of change, percentages.

| | | CBA | | CBQ | |
|--|--------------------|-------|----------------|---------|---------|
| | | 2011 | 2012 Q1-Q4 (a) | 2012 Q1 | 2013 Q1 |
| Total corporations | | 8,408 | 823 | 704 | 704 |
| Corporations reporting source/destination | | 8,408 | 772 | 662 | 662 |
| Percentage of net purchases according to source | Spain | 65.6 | 81.2 | 81.2 | 80.0 |
| | Total abroad | 34.4 | 18.8 | 18.8 | 20.0 |
| | EU countries | 15.8 | 13.9 | 13.9 | 14.3 |
| | Third countries | 18.6 | 4.9 | 5.0 | 5.7 |
| Percentage of net turnover according to destination | Spain | 82.1 | 84.3 | 84.5 | 83.2 |
| | Total abroad | 17.9 | 15.7 | 15.5 | 16.8 |
| | EU countries | 11.6 | 10.5 | 10.6 | 11.2 |
| | Third countries | 6.3 | 5.2 | 5.0 | 5.6 |
| Change in net external demand (exports less imports), rate of change | Industry | 27.9 | 38.0 | 96.1 | 4.1 |
| | Other corporations | -15.5 | 34.8 | 34.2 | 31.1 |

SOURCE: Banco de España.

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

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

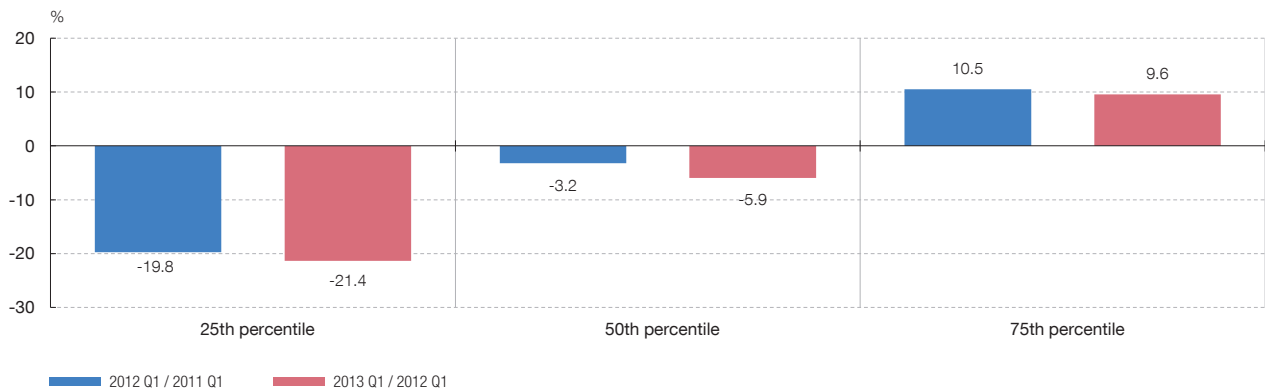
TABLE 3

Growth rate of the same corporations on the same period a year earlier, percentages.

| | Gross value added at factor cost | | | | Employees (Average for period) | | | | Personnel costs | | | | Compensation per employee | | | |
|--|----------------------------------|----------------|-------------|-------------|--------------------------------|----------------|-------------|-------------|-----------------|----------------|-------------|-------------|---------------------------|----------------|------------|------------|
| | CBA | | CBQ | | CBA | | CBQ | | CBA | | CBQ | | CBA | | CBQ | |
| | 2011 | 2012 Q1-Q4 (a) | 2012 Q1 | 2013 Q1 | 2011 | 2012 Q1-Q4 (a) | 2012 Q1 | 2013 Q1 | 2011 | 2012 Q1-Q4 (a) | 2012 Q1 | 2013 Q1 | 2011 | 2012 Q1-Q4 (a) | 2012 Q1 | 2013 Q1 |
| TOTAL | -1.4 | -4.1 | -3.6 | -5.8 | -1.1 | -2.6 | -1.5 | -3.0 | 0.4 | -2.4 | -1.0 | -1.5 | 1.4 | 0.2 | 0.5 | 1.5 |
| SIZE | | | | | | | | | | | | | | | | |
| Small | -6.4 | — | — | — | -3.7 | — | — | — | -1.7 | — | — | — | 2.1 | — | — | — |
| Medium | -0.9 | -8.0 | -5.6 | -11.1 | -1.9 | -4.2 | -4.1 | -4.4 | 0.1 | -4.6 | -3.3 | -3.1 | 2.1 | -0.3 | 0.9 | 1.3 |
| Large | -1.3 | -3.9 | -3.5 | -5.6 | -0.9 | -2.5 | -1.3 | -2.9 | 0.5 | -2.3 | -0.9 | -1.5 | 1.4 | 0.2 | 0.4 | 1.5 |
| BREAKDOWN OF ACTIVITIES | | | | | | | | | | | | | | | | |
| Energy | -1.0 | -0.3 | -1.0 | -7.8 | -2.0 | -3.0 | -1.7 | -6.1 | 0.7 | -0.6 | -1.8 | -2.9 | 2.7 | 2.5 | -0.1 | 3.4 |
| Industry | -1.6 | -9.8 | -10.9 | -3.6 | -1.2 | -3.1 | -2.5 | -1.5 | 0.7 | -2.3 | -0.5 | -0.2 | 1.9 | 0.8 | 2.0 | 1.3 |
| Wholesale & retail trade & accommodation & food service activities | -0.1 | -4.1 | -2.4 | -6.0 | -0.4 | -0.1 | 0.5 | -2.2 | 1.6 | 1.0 | 1.5 | -0.4 | 2.0 | 1.1 | 1.0 | 1.8 |
| Information and communication | -5.6 | -7.5 | -7.4 | -4.9 | 0.6 | -6.1 | -4.8 | -4.5 | 1.6 | -4.5 | -3.1 | -4.4 | 1.0 | 1.8 | 1.8 | 0.2 |
| Other activities | -0.2 | -2.5 | -0.5 | -4.9 | -1.5 | -3.1 | -1.6 | -2.8 | -0.8 | -4.0 | -1.4 | -1.0 | 0.7 | -0.8 | 0.2 | 1.8 |

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 | | | |
|-----------------------------|--------|-------|------------------|------------------|---------|---------|
| | 2010 | 2011 | 2011 Q1 - Q4 (a) | 2012 Q1 - Q4 (a) | 2012 Q1 | 2013 Q1 |
| Number of corporations | 10,107 | 8,408 | 824 | 823 | 874 | 704 |
| PERSONNEL COSTS | 100 | 100 | 100 | 100 | 100 | 100 |
| Falling | 49.1 | 44.0 | 49.0 | 60.1 | 56.2 | 57.1 |
| Constant or rising | 50.9 | 56.0 | 51.0 | 39.9 | 43.8 | 42.9 |
| AVERAGE NUMBER OF EMPLOYEES | 100 | 100 | 100 | 100 | 100 | 100 |
| Falling | 47.0 | 43.7 | 53.9 | 60.4 | 58.6 | 60.0 |
| Constant or rising | 53.0 | 56.3 | 46.1 | 39.6 | 41.4 | 40.0 |

SOURCE: Banco de España.

a Weighted average of the relevant quarters for each column.

show how the non-financial corporations sector displays considerable unevenness in this variable, as illustrated, for example, by the fact that the inter-quartile distance (difference between the 75th and 25th percentiles) exceeds 30 pp.

Employment and personnel costs

Personnel costs decreased by 1.5% in 2013 Q1, a 0.5 percentage point larger fall than in the same period of the previous year. The decrease in this item is a result of the fall of 3% in average employment at the CBQ sample firms, partially offset by the growth of 1.5% in average compensation (see Table 3).

The fall in average employment was twice that in the same period of 2012 and 0.4 pp higher than that in the whole of the previous year. In line with this development, Table 4 shows that 2013 Q1 saw an increase in the number of firms which destroyed jobs, since it rose to stand at 60% of the quarterly sample, nearly 1.5 pp more than the percentage of firms in this situation in the same period of the previous year. By type of contract, temporary employment continued to bear the brunt of the adjustment, with a decrease 14.5% (see Table 5). Meanwhile, the number of workers with permanent contracts declined by 1.4%, a more moderate rate but representing one of the sharpest contractions in this type of employment in recent years. The sectoral breakdown reveals that the decreases in the

EMPLOYMENT

TABLE 5

| | Total CBQ corporations 2013 Q1 | Corporations increasing (or not changing) staff levels | Corporations reducing staff levels |
|----------------------------------|----------------------------------|--|------------------------------------|
| Number of corporations | 704 | 323 | 381 |
| NUMBER OF EMPLOYEES | | | |
| Initial situation 2012 Q1 (000s) | 660 | 240 | 420 |
| Rate 2013 Q1/2012 Q1 | -3.0 | 4.1 | -7.0 |
| Permanent | Initial situation 2012 Q1 (000s) | 217 | 363 |
| | Rate 2013 Q1/2012 Q1 | -1.4 | -5.0 |
| Non-permanent | Initial situation 2012 Q1 (000s) | 23 | 57 |
| | Rate 2013 Q1/2012 Q1 | -14.5 | -20.0 |

SOURCE: Banco de España.

ANALYSIS OF DEVELOPMENTS IN FINANCIAL COSTS
Percentages

TABLE 6

| | CBA | CBQ | |
|--|-------------|---------------------------|---------------------|
| | 2011/2010 | 2012 Q1-Q4/ 2011 Q1-Q4 | 2013 Q1/ 2012 Q1 |
| Change in financial costs | 11.8 | 0.4 | -2.3 |
| A Interest on borrowed funds | 13.1 | -0.2 | -1.8 |
| 1 Due to the cost (interest rate) | 11.0 | -1.0 | -0.2 |
| 2 Due to the amount of interest-bearing debt | 2.1 | 0.8 | -1.6 |
| B Other financial costs | -1.3 | 0.6 | -0.5 |

SOURCE: Banco de España.

average number of workers were across the board, being particularly marked in energy, with a fall of 6.1% (see Table 3). Information and communication also recorded an above-average fall of 4.5%. Finally, the contractions in industry, in wholesale & retail trade and accommodation & food service activities and in other activities were somewhat more moderate (1.5%, 2.2% and 2.8%, respectively).

Average compensation grew by 1.5%, more than in 2012 Q1 (0.5%), basically due to the higher social security contributions resulting from the rise in the maximum contribution base. Thus the year-on-year change in wages and salaries, which do not include employer social security contributions, was 0.6% in 2013 Q1.

Noteworthy in the analysis by productive sector was energy, where personnel costs grew most sharply, by 3.4%. Notable for the opposite reason was the information and communication sector, with the smallest increase in average compensation (0.2%). In the other sectors analysed, this item showed relatively even advances, with growth rates fluctuating around 1.5%.

Profits, rates of return
and debt

Gross operating profit decreased by 9.5%, a fall exceeding by more than 3.5 pp that recorded in the same period of the previous year (5.9%). Financial revenue grew by 30.4%, boosted by the buoyancy of dividends received, which rose substantially in this period compared with 2012 Q1. By contrast, interest revenue received decreased by 7.9%.

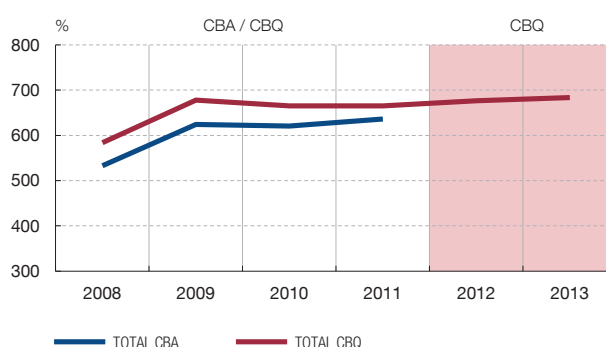
DEBT RATIOS

CHART 3

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



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



| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|-----|------|------|------|------|------|------|
| CBA | 48.8 | 48.1 | 48.1 | 48.1 | 47.1 | 47.4 |
| CBQ | 47.3 | 47.2 | 47.2 | 47.9 | 47.1 | 47.4 |

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|-----|-------|-------|-------|-------|-------|-------|
| CBA | 532.6 | 624.0 | 620.3 | 636.1 | 676.8 | 683.7 |
| CBQ | 583.8 | 677.6 | 665.4 | 665.3 | 676.8 | 683.7 |

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



| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|-----|------|------|------|------|------|------|------|------|------|------|
| CBA | 13.7 | 14.1 | 17.3 | 22.3 | 27.1 | 22.0 | 20.6 | 23.6 | 26.3 | 26.5 |
| CBQ | 15.4 | 15.3 | 19.6 | 24.4 | 29.5 | 22.9 | 21.9 | 24.8 | 26.3 | 26.5 |

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).

Financial costs also decreased (by 2.3%), compared with an increase of 2.5% a year earlier. Table 6 shows that, of this decrease, 1.8 pp are explained by the fall in interest payments and the other 0.5 pp by the fall in other financial costs. The contraction in interest payments was, in turn, almost exclusively due to the year-on-year decrease in indebtedness (1.6 pp), since the changes due to the average cost of debt were practically inappreciable (0.2 pp), this ratio remaining at around 3.5%. The decrease in indebtedness is also consistent with the sluggish investment environment besetting the Spanish economy, which was also confirmed by the figures provided by the CBQ sample, according to which gross fixed capital formation decreased substantially in this period.

The deleveraging transactions in 2012 did not continue during the early months of 2013, there being a slight rise in liabilities, although their balance continued below the levels in

The total debt of non-financial corporations has followed a downward trend from the high reached in 2009. However, this trend may conceal differing behaviours only detected by a more disagre-

gated study. The purpose of this Box is to analyse the recent behaviour of corporate debt in the last few years (from 2008 to 2013 Q1), with a breakdown by sector of activity. To do this, use is made

DEBT RATIOS (a)

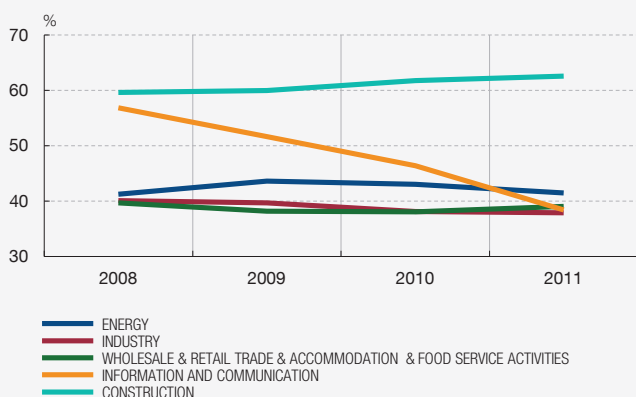
1 E1. INTEREST-BEARING BORROWING/NET ASSETS. TOTAL CORPORATIONS (b)



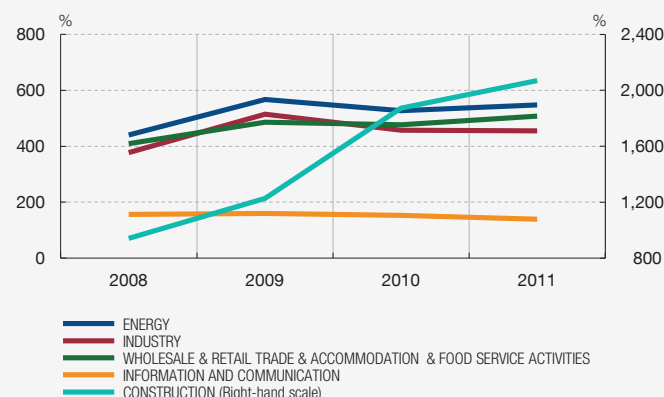
2 E2. INTEREST-BEARING BORROWING/(GOP + FINANCIAL REVENUE). TOTAL CORPORATIONS (c)



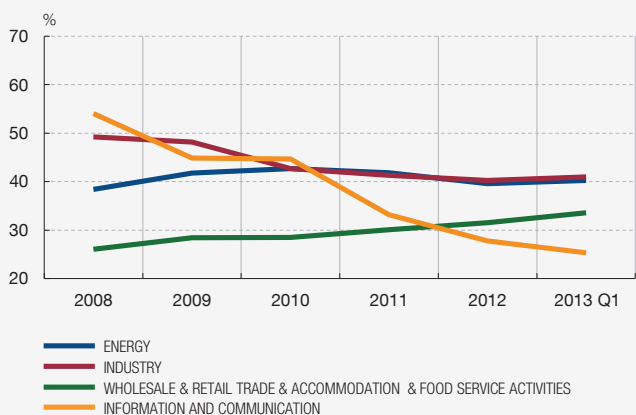
3 E1. INTEREST-BEARING BORROWING/NET ASSETS. BREAKDOWN BY SECTOR. CBI (b)



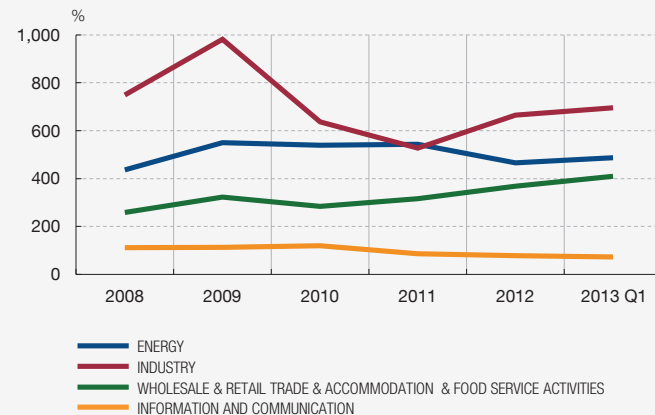
4 E2. INTEREST-BEARING BORROWING/(GOP + FINANCIAL REVENUE). BREAKDOWN BY SECTOR. CBI (c)



5 E1. INTEREST-BEARING BORROWING/NET ASSETS. BREAKDOWN BY SECTOR. CBQ



6 E2. INTEREST-BEARING BORROWING/(GOP + FINANCIAL REVENUE). BREAKDOWN BY SECTOR. CBQ



SOURCE: Banco de España.

- a Ratios are linked from the result of the penultimate year of each database to avoid jumps caused by changes in the composition of the samples in each period.
- b The debt ratio is calculated from final balances adjusted to current prices. The adjustment has been approximated by inflation in tangible fixed assets and in own funds (the counterparty).
- c Interest-bearing borrowing includes an adjustment to eliminate intragroup debt (approximation of consolidated debt) in the biggest business groups.

of the integrated CBSO database (CBI),¹ which contains an average of more than 600,000 firms per year and provides a high level of representativeness (nearly 50% with respect to the total GVA of the non-financial corporations sector), although it is available with a certain lag and now extends only up until 2011. The exercise is completed with the CBSO Quarterly Survey (CBQ), which offers more recent information (up to 2013 Q1) but a smaller coverage (around 15% of the total sector's GVA) and a bias towards larger firms.

Panel 1 shows that the interest-bearing debt/net assets (E1) ratio for total CBI firms decreased slightly between 2008 and 2011. In the CBT sample, in which large firms are overrepresented, however, this ratio held more steady in this period, and even rose somewhat in 2011. This reflected the greater buoyancy of the debt of larger firms, which were comparatively less affected by the crisis than SMEs. If the level of debt is expressed relative to the sum of gross operating profit and financial revenue (E2 ratio, see Panel 2), it can be seen that for the total CBI sample, this indicator grew over the whole time horizon, very markedly in 2009 and more mildly since then, mainly as a result of the contractionary behaviour of profit (denominator of the ratio). In the CBQ, this indicator also increased sharply in 2009, subsequently stabilising to some degree despite the higher growth of borrowed funds, since the earnings of large firms deteriorated less than those of smaller firms.

The next two panels show the two aforementioned debt ratios for the main economic sectors,² based on annual CBI information. Panel 3 reveals, firstly, that the construction and the information and communication sectors started out, in 2008, from the highest levels of debt, as measured by the E1 ratio, at 59.4% and 56.8%, respectively. Moreover, in construction this indicator continued increasing in the following years despite the deleveraging processes in these firms, because their assets (denominator of the ratio) decreased to a greater extent basically as the result of the recognition of significant capital losses. By contrast, in the information and communication sector this ratio decreased sharply by around 20 pp to 38.4% in 2011. In energy, in industry, and in wholesale & retail trade and accommodation & food service activities, this indicator held more steady, fluctuating around 40%. In the case of the E2 ratio (see Panel 4), the construction sector again had the highest level, and exhibited a markedly growing trend, due to the strong deterioration in profits (denominator of this indicator) in this

sector, reaching in 2011 levels above 2,000%. The information and communication sector, by contrast, remained steady throughout the period at lower values (below 200%) and on a slightly downward path. The other sectors showed very even behaviour, starting out in 2008 from levels near 400% which progressively rose to stand in 2011 between 80 pp and 100 pp above their initial value.

Finally, Panels 5 and 6 show, for the CBQ sample, the E1 and E2 ratios by sector up to 2013 Q1.³ Comparison of the results with those obtained using the CBI for the common period (up to 2011) shows that both the level and the course of the two ratios were very similar in the energy and in the information and communication sectors, since these sectors are dominated by large firms which are thus well-represented in the CBQ. By contrast, in the case of wholesale & retail trade and accommodation & food service activities, the values obtained from the CBQ are lower in both the E1 and the E2 ratios, although in the latter their profile is very similar to that deduced from the annual information. Lastly, the industrial sector exhibits larger differences between the two databases. In particular, the CBQ for this sector provides initial values appreciably higher than those from the annual database, although this difference has progressively narrowed in both ratios, approaching the levels of the CBI, especially in the case of the E1 ratio.

Analysis of the latest quarterly information suggests that, from 2011, the E1 ratio fell slightly in 2012, stabilising in 2013 Q1, in the energy and industry sectors; it continued increasing in wholesale & retail trade and accommodation & food service activities, and it declined in information and communication. As to the E2 ratio, affected by the adverse course of ordinary profit, it continued to show increases in industry and in wholesale & retail trade and accommodation & food service activities, and very mild declines in information and communication. The ratio declined in the energy sector in 2012, although this trajectory has not extended into the first three months of the current year.

In short, the analysis of debt ratios by sector reveals the presence of high heterogeneity both in the levels and in the trend of these indicators in recent years. The construction sector stands out in that it shows the highest levels for these ratios, which have not been corrected despite the deleveraging processes due to the recognition of significant capital losses and to the forceful downturn in profit (which have exerted an adverse effect on the denominators). Conversely, these ratios have fallen significantly in the information and communication sector.

1 The Integrated CBSO database (CBI) is obtained by merging the CBSO Annual Survey (CBA) with the information filed by firms at the Mercantile Registers (CBB).

2 Holdings are not included in the sectoral breakdown (although they are included in the total sample) because they cannot always be sectorised as they engage in activities in more than one sector.

3 The construction sector is not shown since it is not well represented in the CBQ.

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 | | CBA | | CBQ | | CBA | | CBQ | | CBA | | CBQ | |
| | 2011 | 2012 Q1-Q4 (a) | 2012 Q1 | 2013 Q1 | 2011 | 2012 Q1-Q4 (a) | 2012 Q1 | 2013 Q1 | 2011 | 2012 Q1-Q4 (a) | 2012 Q1 | 2013 Q1 | 2011 | 2012 Q1-Q4 (a) | 2012 Q1 | 2013 Q1 |
| Total | -3.9 | -5.6 | -5.9 | -9.5 | -9.6 | -12.7 | -38.1 | -11.0 | 5.5 | 5.4 | 3.6 | 3.0 | 1.8 | 1.9 | 0.0 | -0.5 |
| SIZE | | | | | | | | | | | | | | | | |
| Small | -19.4 | — | — | — | -37.3 | — | — | — | 3.0 | — | — | — | -0.8 | — | — | — |
| Medium | -2.9 | -13.0 | -9.0 | -22.3 | 4.2 | -19.7 | -6.5 | -34.1 | 5.5 | 5.6 | 5.5 | 4.2 | 2.0 | 2.2 | 2.2 | 1.5 |
| Large | -3.7 | -5.4 | -5.8 | -9.1 | -10.3 | -12.5 | -39.2 | -10.1 | 5.5 | 5.4 | 3.6 | 3.0 | 1.8 | 1.8 | 0.0 | -0.5 |
| BREAKDOWN OF ACTIVITIES | | | | | | | | | | | | | | | | |
| Energy | -1.7 | -0.2 | -0.7 | -9.3 | -11.8 | 12.9 | -0.3 | -21.6 | 5.6 | 6.3 | 5.2 | 4.4 | 2.1 | 2.7 | 1.6 | 0.6 |
| Industry | -5.2 | -22.7 | -28.3 | -11.0 | 2.0 | -60.2 | -81.2 | -90.4 | 6.2 | 3.1 | 2.3 | 1.7 | 2.3 | -1.2 | -1.9 | -2.7 |
| Wholesale & retail trade and accommodation & food service activities | -3.3 | -14.1 | -8.1 | -14.9 | -0.8 | -8.8 | 7.4 | -21.8 | 8.2 | 4.8 | 8.5 | 6.5 | 4.1 | 1.1 | 4.6 | 1.8 |
| Information & communication | -9.5 | -8.8 | -9.5 | -5.2 | -13.9 | -9.2 | -10.9 | 0.7 | 19.6 | 22.6 | 20.9 | 20.0 | 15.7 | 19.7 | 17.9 | 17.7 |
| Other activities | 1.8 | 0.2 | 1.6 | -12.5 | -30.0 | -34.7 | - | 51.8 | 4.0 | 4.4 | 1.7 | 1.2 | 0.5 | -0.5 | -1.8 | -2.1 |

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 | | | | |
|---|----------------------------|---------|---------------------------------|---------|------|
| | Return on investment (R.1) | | Ordinary return on equity (R.3) | | |
| | 2012 Q1 | 2013 Q1 | 2012 Q1 | 2013 Q1 | |
| Number of corporations | 874 | 704 | 874 | 704 | |
| Percentage of corporations by profitability bracket | R ≤ 0% | 32.8 | 35.8 | 40.3 | 40.6 |
| | 0% < R ≤ 5% | 28.3 | 27.9 | 17.0 | 18.9 |
| | 5% < R ≤ 10% | 13.6 | 13.1 | 11.3 | 10.6 |
| | 10% < R ≤ 15% | 8.4 | 6.7 | 8.2 | 7.2 |
| | 15% < R | 16.9 | 16.5 | 23.3 | 22.7 |
| MEMORANDUM ITEM: Average return | 3.6 | 3.0 | 3.6 | 2.6 | |

SOURCE: Banco de España.

the same period of the previous year. As can be seen in Chart 3, this led the E1 ratio (calculated as interest-bearing debt to net assets) to increase somewhat in Q1 to 47.4% (0.3 pp more than in December 2012). The ratio of debt to ordinary profit (E2) increased to a greater extent due to the unfavourable trend in profits (the denominator of this indicator). The sectoral breakdown shows that the increase in these ratios affected all the main branches of activity analysed except for information and communication, the only one which continued to post a decrease in 2013 Q1, in line with the trend shown by this sector in previous years (see Box 1).

The ratio which measures the debt burden rose slightly to 26.5% with respect to GOP and financial revenue (0.2 pp more than in 2012). This was because financial costs fell by somewhat less than ordinary profits (the denominator of this ratio).

The performance of operating activities and of financial revenue and costs resulted in ordinary net profit declining by 11% in 2013 Q1, compared with a decrease of 38.1% a year earlier. This led to further falls in firms' profitability levels (see Table 7). Thus the ratio that approximates the return on net assets (return on investment – ROI) decreased by 0.6 pp to 3% and the return on equity (ROE) decreased to 2.6%, 1 pp below its level in 2012 Q1. The sectoral breakdown indicates that this negative performance was across the board and that wholesale & retail trade and accommodation & food service activities posted the sharpest fall, since their ROI stood at 6.5%, against 8.5% a year earlier. Moreover, Table 8, which gives the distribution of firms by profitability, reveals that 2013 Q1 saw a shift towards lower profitability segments (lower than 5%), which suggests that the worsening was widespread. The decrease in ROI, along with the nearly zero change in the cost of debt, meant that the difference between these two indicators narrowed further and, for the total sample, had a slightly negative value of -0.5%. The sectoral figures also indicate that, for industry and for other activities, this difference stood at values below -2%.

Lastly, extraordinary gains and losses had a negative influence on the final profit for the year. Behind this behaviour lies, first, the recognition of significant losses on the sale of financial assets. And second, the sizeable severance payments associated with staff reductions in some large firms, as well as exchange losses on foreign currency transactions. The outcome of all this was that profit for the year fell, in 2013 Q1, by 48.2%. If this profit is expressed as a percentage of GVA, it results in a further decrease in this indicator to 6.3%, some 5 pp less than the figure a year earlier. This value represents, moreover, a new low for a first quarter in the series published by the CBQ (initiated in 1994).

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