

RESULTS OF NON-FINANCIAL CORPORATIONS IN 2012 AND IN THE FIRST THREE QUARTERS OF 2013

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Overview¹

This article presents the results for 2012 of those firms that respond to the Annual Survey of the Central Balance Sheet Date Office (CBA). It also analyses the latest data obtained from the more limited sample of the Quarterly Survey of the Central Balance Sheet Date Office (CBQ), which cover the first nine months of the current year.

The CBA information for 2012 confirms the broad trends anticipated by the CBQ (see the March 2013 issue of the Economic Bulletin). Last year, in line with the main macroeconomic indicators, the downward trend displayed by activity in 2011 continued and intensified. Gross value added (GVA) fell by 4.5%, somewhat more than three percentage points (pp) more than in 2011. This pattern was seen in almost all sectors, with information and communication and industry recording the largest falls, of 7.3% and 5.2%, respectively. The breakdown by size of corporation shows that during 2012 small and medium-sized companies suffered heavier declines in GVA. This is also reflected in the data compiled on the basis of information obtained from the Mercantile Registers, which is based on a much broader sample than the CBA (see Box 1).

As for the latest information compiled by the CBQ, during the first three quarters of this year the rate of contraction of activity moderated in all branches, except energy, which was affected by specific shocks² that resulted in a strong decline in nominal value added. It is the over-representation of this branch in the sample that caused the aggregate GVA of the CBQ firms to decline in 2013 by 4.5%, the same amount as the recorded by the CBA for 2012. When the energy sector is excluded, the fall in GVA is reduced to 2.2%, indicating a moderation in the decline, which is more representative of business performance in the first three quarters of the year.

Personnel costs fell both in 2012 (2.3%) and in the first three quarters of 2013 (1.9%). This was the result of declines in employment combined with increases in average compensation.

Gross operating profit (GOP) fell in 2012 by 7.5%. In the first three quarters of 2013 the decline was less pronounced (6.8%, for the sample as a whole, and 2% when energy is excluded). Financial revenue rose by 1.8% in 2012 and by 0.6% between January and September this year, driven by the increase in dividends received. Financial costs fell slightly in 2012 (0.5%) and more sharply during the first nine months of this year (2.4%).

In 2012 there was a decline in the debt ratio E1 (interest-bearing debt divided by net assets), which continued during the first nine months of 2013. By contrast, the ratio E2 (debt to the sum of gross operating profit and financial revenue) increased slightly during

¹ This article was prepared on the basis of the information supplied by the CBA for 2012 and by the CBQ for the first three quarters of 2013. In the case of the 2012 data, they are drawn from a sample of 7,375 reporting corporations which account, in terms of GVA, for 27% of the entire non-financial corporations sector. The quarterly sample, meanwhile, is made up of the 746 corporations that had reported information to the CBQ by 15 November, which account for 12.6% of the GVA generated by the sector as a whole, according to National Accounts figures for this period.

² In particular, the fall in the refining margin and the reduction in the supply of Egyptian gas (see Footnote 3).

The information contained in the CBSO annual and quarterly survey databases allows the performance of the larger non-financial corporations to be analysed, because they are the firms which are best represented in these databases. SMEs, however, are underrepresented, which is a major obstacle for the analysis of the more fragmented economic sectors, such as wholesale & retail trade, accommodation & food service activities, construction and real estate. This lack of information can be remedied by using the accounts lodged by firms with the mercantile registers. Drawing on these accounts, the Central Balance Sheet Data Office has

created a database (CBB) containing an extensive sample of firms in this segment.¹ However, this database does not allow conjunctural analysis because the information is received with a significant lag. Specifically, for 2011 consistent data are held on

¹ The Central Balance Sheet Data Office currently defines an SME as a firm with no more than 250 employees which does not exceed a certain level of assets or total income (these two thresholds are revised each year based on inflation and for 2012 were set at €193 million and €275 million, respectively).

PERFORMANCE OF SMALL AND MEDIUM-SIZED ENTERPRISES

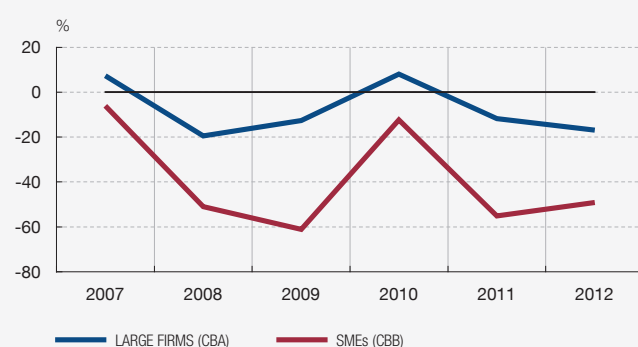
1 GROSS VALUE ADDED AT FACTOR COST
Rate of change



2 EMPLOYMENT
Rate of change



3 ORDINARY NET PROFIT



4 ORDINARY RETURN ON EQUITY (R.3)
Ratios



		2007	2008	2009	2010	2011	2012
Number of corporations	CBA	1,553	1,617	1,806	1,947	1,919	1,399
	CBB (a)	621,230	478,479	615,428	629,847	647,714	152,668
% of GVA of the sector non-financial corporations	CBA	29.4	27.4	27.6	28.2	27.3	23.7
	CBB (a)	28.6	17.6	21.6	21.2	21.6	5.0

SOURCE: Banco de España.

a The data of Chart 2 relate to the sub-set of firms with consistent employment figures (somewhat less than 70% of the total CBB).

nearly 650,000 firms, and somewhat more than 150,000 for 2012, on which year data are still being received. Hence at this moment the information available in the CBB does not allow the behaviour of SMEs during the current year to be analysed, although it is useful for reviewing in detail their behaviour last year, which was particularly critical for the Spanish economy.

On CBB data, the GVA of Spanish SMEs continued to contract in 2012, shrinking at a rate of 6.5%, two-and-a-half percentage points more than in the previous year, in what was the fifth consecutive year of negative figures. This recessionary pattern of productive activity was again more marked than in larger firms (4.4%, according to the CBA sample), as has been the case since the crisis began (see Chart 1). The cumulative decrease since 2007 (the last year that an increase was recorded) was more than 25%. The decline was in nearly all sectors, although it was more pronounced in construction, where this indicator fell by 17.2%, in retail and wholesale trade (7.3%) and in aggregate manufacturing industry (5.4%).

The personnel costs of SMEs fell by 3.2% in 2012, some three percentage points more than in the previous year (0.3%). This was due to the higher workforce reductions last year and to the containment of the average wage growth rate, which went from a rise of 1.1% to practically no change in 2012. The average number of employees decreased by 3.2% in 2012, nearly one percentage point more than in large firms and also clearly more than the 1.4% decline in 2011 in smaller firms (see Chart 2). The breakdown by type of contract shows that in 2012 temporary employees decreased most sharply (by 7.1%), although permanent employees also fell significantly, by 2.3%, nearly twice as much as in the previous year. Employment fell across the board in all sectors, and in practically all cases the behaviour was more unfavourable than in 2011. Generally the sectors in which productive activity worsened most were those which contributed most to the fall in employment. Thus the drop in the average number of workers in

the construction, retail & wholesale trade and manufacturing industry accounts for 70% of the decrease in the total sample.

The financial costs and revenues of SMEs decreased by 1.1% and 8.2%, respectively, in 2012. Their ordinary net profit fell by 49.2%, which was a somewhat more moderate decline than that of 55.1% a year earlier, but much more than that of 16.9% recorded by the CBA for larger firms (see Chart 3). The worsening of profit from ordinary activities did not give rise to an additional decrease in return on equity because the denominator of this ratio also contracted, which led to a slight increase in this indicator of 0.3 bp with respect to the previous year, although it remained at the very low value of 1.4% (see Chart 4). The sectoral breakdown shows that profit levels remained similar to those of the previous year in nearly all cases. The activities with the highest profitability were water supply, sewage and waste management (6.1%, although this was one-and-a-half percentage points less than in 2011), information & communication, and electricity supply (both 4.8%). By contrast, the construction and mining & quarrying sectors reported negative values of this indicator for the third year running (-3.3% and -2.7%, respectively), while accommodation & food service activities (-3.2% in 2012) has not recorded positive values of this ratio since 2007.

In short, the more complete information in the CBB database confirms that 2012 was particularly difficult for Spanish SMEs, whose productive activity contracted for the fifth year running. This fall was sharper than that in 2011 and that of large firms in 2012. The employment data show a sharper adjustment than in the previous year which affected permanent and especially temporary employees. All this led to a further decline in surpluses and consequently the return on equity remained very low at 1.4% in the sample as a whole. Unfortunately, this database does not allow us to analyse how SMEs are performing this year or, more particularly, their participation in the recovery of activity apparent in the more aggregated figures.

this period as it was affected once again by the negative performance of sector income, the denominator of this indicator. This also influenced the behaviour of the financial burden ratio which, after a mild decline in 2012, increased somewhat during the first three quarters of 2013.

The developments in ordinary net profit (ONP) were also somewhat less negative in the first three quarters of 2013 (13.2%) than in the previous year, when it contracted by 17%. Excluding the energy sector, this surplus grew by 1.1%. For the sample as a whole, profitability declined during the two periods analysed, while the average cost of borrowing hardly changed. Thus, the spread between the return on investment and financial costs fell slightly in 2012 (by 0.1 pp) to 1.6%, while in 2013 the CBQ sample shows how this spread continued to narrow, to stand at 0.5% for these companies, down 2 pp from a year earlier.

Finally, in 2012 net profit contracted sharply, while in the first nine months of 2013 it rose by 18.1% (if energy were excluded the growth rate would be very high given the low starting level). This pronounced change in behaviour is due to the significant impairment losses on financial assets recorded last year, at an especially critical time for the Spanish economy. In 2012, as a percentage of GVA, net profit was practically zero, while in the first nine months of 2013 it rose to 11.6%.

Activity

The GVA of the non-financial corporations that responded to the CBA fell by 4.5% in 2012 (see Table 1 and Chart 1), a larger decline than recorded the previous year (1.3%). The contraction was more pronounced in the case of small and medium-sized companies than in that of larger ones, as the data for this type of company from the CBA and the CBB (based on a much broader sample) show. However, the CBQ data for the first nine months of 2013 indicate a slowdown in the recessionary path of activity in all sectors, except energy. Thus, although GVA contracted by 4.5% in this period, if we exclude energy, which was subject to certain distortions and is over-represented in the sample, the decline would have only been 2.25%, a figure that should be considered more representative of the behaviour of the corporate sector. All this has occurred against a background of domestic demand weakness and notable expansion of exports, which continued to be the most dynamic component of demand. In line with this development, Table 2 illustrates how in the first three months of 2013 the weight of exports, especially to countries outside the European Union, in the total net turnover of the CBQ sample increased.

Focusing on the sector level (see Table 3), for a more detailed analysis, it can be seen that in 2012 the decline in activity was relatively broad-based, while in the first nine months of 2013 the decrease of GVA moderated in most sectors. The main exception was energy, which recorded much more negative performance for activity than in the previous year. In industry activity fell by 5.2% in 2012, while in the first nine months of 2013 it declined by only 0.9%, largely on account of the dynamism of exports (which have a proportionately higher weight in industry than in other sectors). The quarterly profile of this variable (-4.1%, 0.5%, 1.7%) also confirms the progressive improvement. Developments were particularly positive in certain sub-sectors, such as transport equipment, other manufacturing, and mineral and metal products, in which GVA grew by 3.3%, 4.0% and 0.6%, respectively, while in others, such as food, beverages and tobacco, and computer and electronic products, even sharper falls were recorded than in the previous year, of 7% and 6%, respectively. In information and communication there was a decline of 7.3% in 2012, while in the first nine months of 2013 the fall was more contained (4.9%). For its part, wholesale and retail trade and accommodation and food service activities, affected by the slackness of domestic spending, recorded a negative change in GVA, both in 2012 (-4.6%) and in the first nine months of 2013, when the decline was 4%. By contrast, energy has seen a notable worsening in recent months, with a sharp decline in GVA between January and September of this year of 10.5% in nominal terms, following a slight rise in 2012 (0.5%). This behaviour is closely related to the negative developments in oil refining and in electricity, gas and water supply.³ In the former sub-sector, GVA grew by 7.8% in 2012, while in the first nine months of 2013 it fell by 41.9%. Electricity, gas and water supply, the other large energy sub-sector, reported

³ In the case of refining, the adverse behaviour of nominal GVA in 2013 was basically a consequence of the narrowing of mark-ups. In the sub-sector electricity, gas and water supply, the contraction of this surplus is mainly the result of the performance of certain gas suppliers, whose activity is affected by the temporary shutdown of their operations in Egypt owing to the geopolitical tensions in that country.

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 (a)		
	2012	2011	2012	2012 Q1-Q4/ 2011 Q1-Q4	2012 Q1-Q3/ 2011 Q1-Q3	2013 Q1-Q3/ 2012 Q1-Q3
Number of corporations		10,057	7,375	843	858	746
Total national coverage (% of GVA)		31.5	27.0	13.5	14.0	12.6
PROFIT AND LOSS ACCOUNT:						
1 VALUE OF OUTPUT (including subsidies)	100.0	3.7	-2.3	2.5	2.5	-3.9
<i>Of which:</i>						
<i>Net amount of turnover and other operating income</i>	148.1	3.7	0.0	3.6	2.5	-4.4
2 INPUTS (including taxes)	68.9	6.2	-1.3	5.4	5.5	-3.7
<i>Of which:</i>						
<i>Net purchases</i>	94.6	5.3	0.2	7.0	8.5	-6.6
<i>Other operating costs</i>	23.1	0.5	0.7	0.4	-0.5	0.2
S.1 GROSS VALUE ADDED AT FACTOR COST [1 - 2]	31.1	-1.3	-4.5	-3.7	-4.0	-4.5
3 Personnel costs	18.5	0.6	-2.3	-2.4	-2.1	-1.9
S.2 GROSS OPERATING PROFIT [S.1 - 3]	12.6	-4.0	-7.5	-5.0	-5.7	-6.8
4 Financial revenue	5.5	5.4	1.8	-10.2	-26.5	0.6
5 Financial costs	4.7	12.2	-0.5	-1.6	-0.6	-2.4
6 Depreciation, impairment and operating provisions	6.8	0.9	7.0	0.5	0.5	2.6
S.3 ORDINARY NET PROFIT [S.2 + 4 - 5 - 6]	6.7	-11.3	-17.0	-14.3	-25.5	-13.2
7 Gains (losses) form disposals and impairment	-5.2	-72.5	—	—	—	-22.6
7' As a percentage of GVA (7/S.1)		-2.1	-16.7	-22.5	-8.0	-8.6
8 Changes in fair value and other gains (losses) (b)	-1.2	-62.2	3.6	5.8	-4.7	92.3
8' As a percentage of GVA (8/S.1)		-4.2	-3.9	-5.9	-7.2	-0.6
9 Corporate income tax	0.2	-54.2	-69.7	—	-68.6	-24.7
S.4 NET PROFIT [S.3 + 7 - 8]	0.0	-21.3	-99.8	-88.8	-65.3	18.1
S. 4' As a percentage of GVA (S.4/S.1)		13.3	0.0	2.4	9.4	11.6
PROFIT RATIOS						
	Formulas (b)					
R.1 Return on investment (before taxes)	(S.3 + 5.1)/NA	5.4	5.3	5.5	4.3	3.9
R.2 Interest on borrowed funds/interest-bearing borrowing	5.1/IBB	3.7	3.7	3.5	3.5	3.4
R.3 Ordinary return on equity (before taxes)	S.3/E	7.0	6.8	7.4	5.0	4.3
R.4 ROI - cost of debt (R.1 - R.2)	R.1 - R.2	1.7	1.6	2.0	0.7	0.5
MEMORANDUM ITEM: TOTAL SAMPLE WITHOUT ENERGY SECTOR						
S.1 GROSS VALUE ADDED AT FACTOR COST [1 - 2]		-1.5	-5.3	-5.2	-5.6	-2.2
S.2 GROSS OPERATING PROFIT [S.1 - 3]		-5.1	-10.3	-8.3	-9.6	-2.0
S.3 ORDINARY NET PROFIT [S.2 + 4 - 5 - 6]		-10.9	-25.3	-27.5	-37.6	1.1

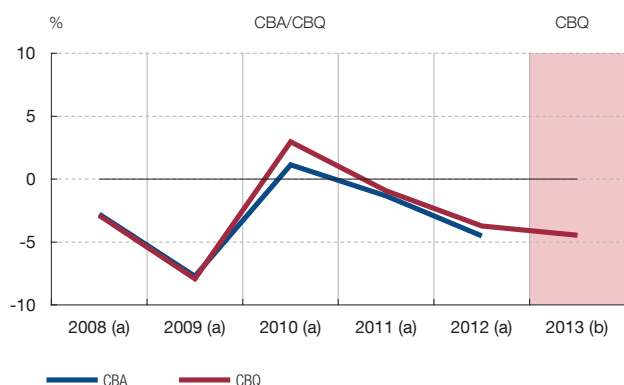
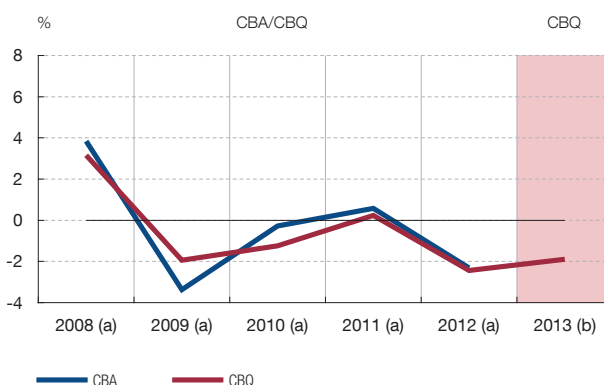
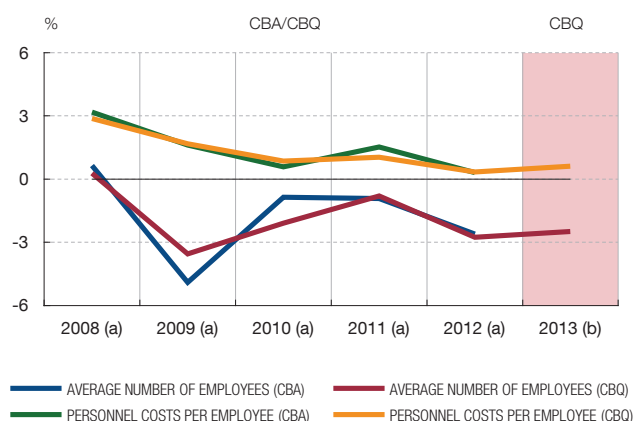
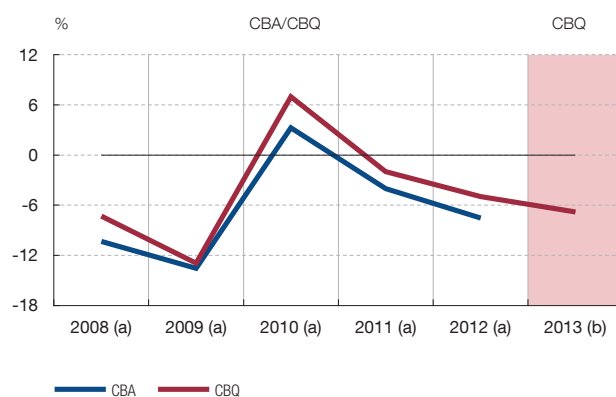
SOURCE: Banco de España.

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).

a slight increase in 2012, of 0.6%, and a decline of 7.9% in the first nine months of 2013. Finally, in the group made up of all the remaining activities there was a decline of 4.9% in 2012, while during the first three quarters of this year there was an increase of 0.1%, largely as a result of the recovery in transport.

GROSS VALUE ADDED AT FACTOR COST
Rate of changePERSONNEL COSTS
Rate of changeEMPLOYMENT AND WAGES
Rate of changeGROSS OPERATING PROFIT
Rate of change

Reporting non-financial corporations		2008	2009	2010	2011	2012	2013
Number of corporations	CBA	9,627	9,870	10,135	10,057	7,375	—
	CBQ	819	805	813	826	843	746
% of GVA of the sector non-financial corporations	CBA	31.2	31.0	31.7	31.5	27.0	—
	CBQ	12.9	12.6	13.1	13.5	13.5	12.6

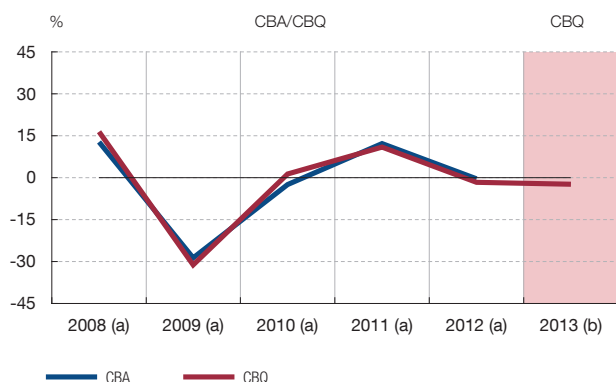
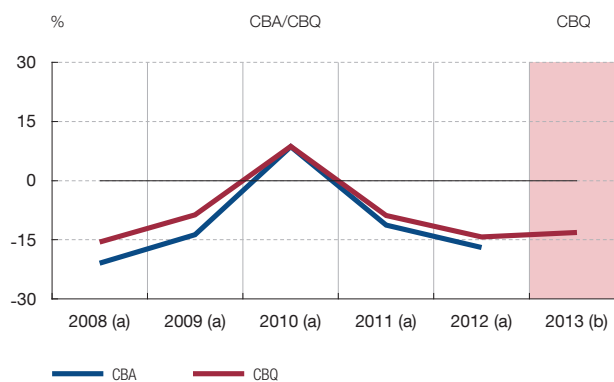
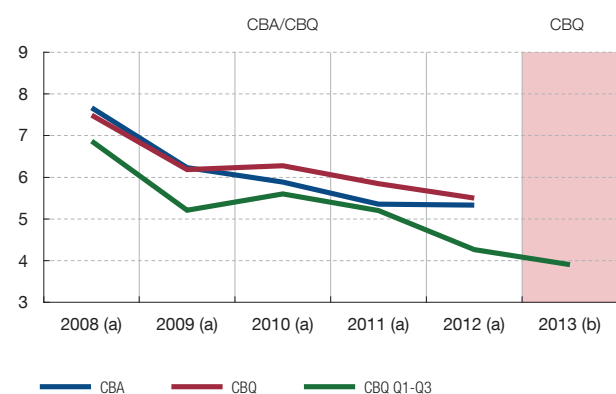
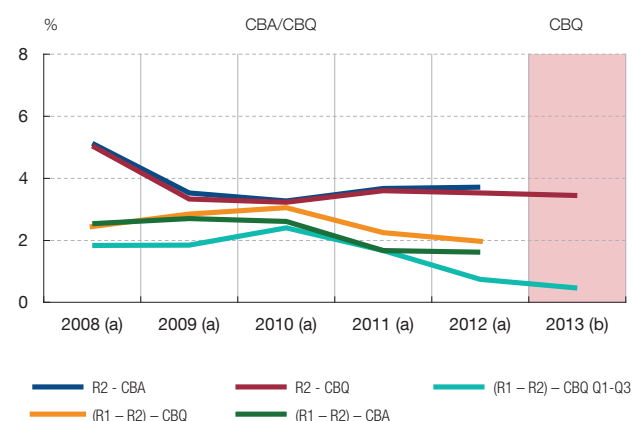
SOURCE: Banco de España.

- a The 2008, 2009, 2010, 2011 and 2012 data are the average data of the four quarters of each year (CBQ) in relation to the previous year for the corporations reporting to the annual survey (CBA).
- b Data for 2013 Q1-Q3 relative to the same period in 2012.

Chart 2 shows the quartiles of the distribution of corporations according to their GVA growth rates. An increase is seen in all of them, with those corresponding to the 25th and 75th percentiles increasing most notably in the first three quarters of 2013, by some 4 pp from a year earlier.

Employment and personnel costs

Personnel costs fell both in 2012, by 2.3%, and in the first three quarters of 2013 (by 1.9%; see Table 3). The decrease in these costs is a consequence of two opposite effects: the reduction in employment and the growth in average compensation, which, although it moderated relative to previous periods, remained positive.

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	9,627	9,870	10,135	10,057	7,375	—
	CBQ	819	805	813	826	843	746
% of GVA of the sector non-financial corporations	CBA	31.2	31.0	31.7	31.5	27.0	—
	CBQ	12.9	12.6	13.1	13.5	13.5	12.6

SOURCE: Banco de España.

- a The 2008, 2009, 2010, 2011 and 2012 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 Data for 2013 Q1-Q3. The rates are calculated relative to the same period in 2012.

The average size of workforces continued to decline, both for the CBA sample in 2012 and for the CBQ sample in the first three quarters of 2013, with falls of 2.6% and 2.5%, respectively. In line with this, the data in Table 4 show how in 2012 the percentage of firms with falls in the average number of workers increased by 7 pp, to stand at 50.7%. In the CBQ this percentage remained high in 2013 (56.2%), although it was somewhat more moderate with respect to the same period of the previous year for this sample, when it was 56.9%. The adjustment continued to affect mainly temporary employment, which fell by 6.7% in 2012 and, according to quarterly data, by 9.3% in the first nine months of 2013 (see Table 5). However, during these two years, the decline in workers

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

TABLE 2

		CBA		CBQ (a)	
		2011	2012	2012 Q1-Q3	2013 Q1-Q3
Total corporations		7,375	7,375	746	746
Corporations reporting source/destination		7,375	7,375	706	706
Percentage of net purchases according to source	Spain	65.8	64.7	79.5	79.1
	Total abroad	34.2	35.3	20.5	20.9
	EU countries	15.9	14.8	16.0	16.6
	Third countries	18.3	20.5	4.6	4.3
Percentage of net turnover according to destination	Spain	82.1	80.6	82.8	81.4
	Total abroad	17.9	19.4	17.2	18.6
	EU countries	11.8	12.1	12.5	13.0
	Third countries	6.1	7.3	4.7	5.6
Change in net external demand (exports less imports).	Industry	24.3	22.9	41.9	8.7
Rate of change	Other corporations	-13.3	-0.8	39.1	64.2

SOURCE: Banco de España.

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

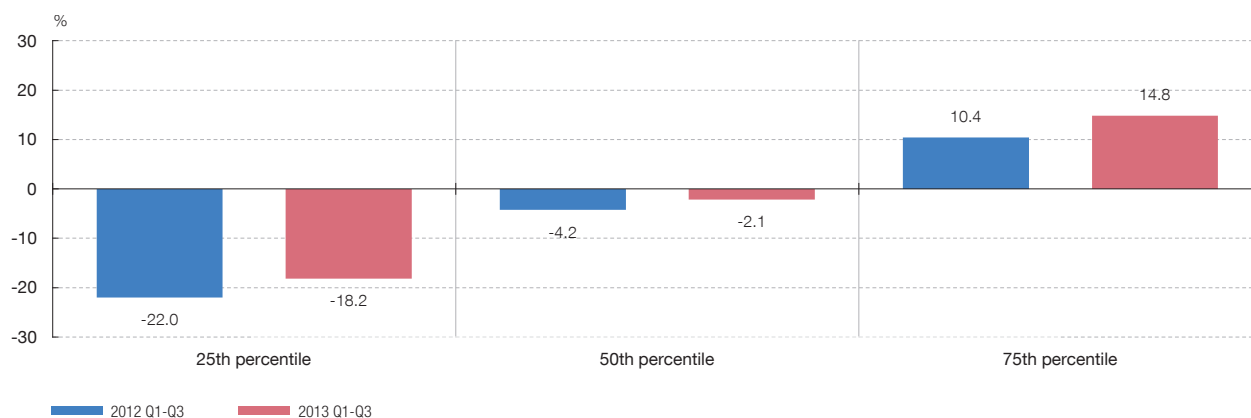
VALUE ADDED, EMPLOYEES, PERSONNEL COSTS AND PERSONNEL COSTS PER EMPLOYEE. BREAKDOWN BY SIZE AND MAIN ACTIVITY OF CORPORATIONS
Growth rate of the same corporations on the same period a year earlier, percentages

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)	
	2012	2012 Q1-Q4	2012 Q1-Q3	2013 Q1-Q3	2012	2012 Q1-Q4	2012 Q1-Q3	2013 Q1-Q3	2012	2012 Q1-Q4	2012 Q1-Q3	2013 Q1-Q3	2012	2012 Q1-Q4	2012 Q1-Q3	2013 Q1-Q3
TOTAL	-4.5	-3.7	-4.0	-4.5	-2.6	-2.8	-2.5	-2.5	-2.3	-2.4	-2.1	-1.9	0.3	0.3	0.4	0.6
Size:																
Small	-7.9	—	—	—	-5.6	—	—	—	-4.5	—	—	—	1.2	—	—	—
Medium	-5.1	-7.3	-9.1	-6.1	-3.4	-4.2	-4.2	-4.5	-2.8	-4.6	-4.3	-3.1	0.6	-0.5	-0.1	1.5
Large	-4.4	-3.6	-3.8	-4.4	-2.4	-2.7	-2.4	-2.4	-2.2	-2.3	-2.0	-1.8	0.2	0.4	0.4	0.6
Breakdown of activities																
Energy	0.5	0.7	0.9	-10.5	-3.3	-3.1	-2.8	-1.4	-1.3	-0.1	-0.4	1.1	2.1	3.0	2.5	2.5
Industry	-5.2	-9.1	-9.2	-0.9	-2.1	-2.7	-2.7	-1.3	-1.3	-1.7	-0.2	0.1	0.9	1.1	2.5	1.4
Wholesale & retail trade & accommodation & food service activities	-4.6	-4.8	-1.4	-4.0	-1.5	-1.1	-0.7	-3.1	-1.2	-0.6	0.4	-3.3	0.2	0.6	1.1	-0.2
Information & communication	-7.3	-7.9	-9.0	-4.9	-2.7	-6.0	-5.3	-4.5	-0.7	-4.0	-3.0	-5.7	2.0	2.0	2.4	-1.3
Other activities	-4.9	-2.1	-3.9	0.1	-3.4	-3.1	-2.9	-2.3	-4.1	-3.8	-4.1	-1.7	-0.7	-0.7	-1.3	0.6

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.

with permanent contracts was greater than in previous periods, owing to major workforce adjustments in certain large firms, which resulted in reductions of around 1.5 pp in both of the two years analysed. Analysis by activity shows that jobs were destroyed in practically all sectors. In the first nine months of 2013 the sectors that performed least favourably were information and communication, and wholesale and retail trade and accommodation and food service activities, with reductions in average employment of 4.5% and 3.1%, respectively.

The rate of growth of average compensation moderated in 2012 and in the first nine months of 2013, with growth of around 0.5 pp recorded in both periods (see Table 3). The latest data show that this pattern of greater wage restraint is seen in almost all sectors, and especially in wholesale and retail trade and accommodation and food service activities and information and communication, in which personnel costs per employee declined by 0.2% and 1.3%, respectively. Other sectors have seen wage increases above the sample average, ranging from 0.6% in the sector that includes “other activities” to 2.5% in the energy sector.

Profits, rates of return and debt

In line with the negative behaviour of productive activity, gross operating profit (GOP) fell by 7.5% in 2012, 3.5 pp more than in the previous year. In the first three quarters of 2013 the contraction of GOP eased to -6.8% (-2%, if energy is excluded) year-on-year.

Financial revenue grew in 2012 at 1.8% for the annual sample, as a consequence of greater interest and dividend receipts. In the CBQ, financial revenue increased slightly in the first nine months of 2013, by 0.6%, on account of higher dividend receipts, while interest receipts declined.

Financial costs fell by 0.5% in 2012, in the CBA, and by 2.4% for the quarterly sample in the first nine months of 2013. In both cases, the decline in indebtedness contributed to the fall in financial costs, although this was partly offset by a slight increase in the average cost of financing (see Table 6). In addition, during the current year other costs apart from interest have also influenced the fall in this item.

Against this background, the debt ratio E1 (interest-bearing borrowing to net assets) declined in 2012, and continued to do so during the first nine months of 2013, with a fall of 0.5 pp to 46.5% (see Chart 3). Developments by sector were mixed. Specifically, there

PERSONNEL COSTS AND EMPLOYEES
Percentage of corporations in specific situations

TABLE 4

	CBA		CBQ (a)			
	2011	2012	2011 Q1 - Q4	2012 Q1 - Q4	2012 Q1 - Q3	2013 Q1 - Q3
Number of corporations	10,057	7,375	826	843	858	746
Personnel costs	100	100	100	100	100	100
Falling	43.6	56.5	46.5	56.5	55.3	52.7
Constant or rising	56.4	43.5	53.5	43.5	44.7	47.3
Average number of employees	100	100	100	100	100	100
Falling	43.7	50.7	51.3	57.4	56.9	56.2
Constant or rising	56.3	49.3	48.7	42.6	43.1	43.8

SOURCE: Banco de España.

a Weighted average of the relevant quarters for each column.

EMPLOYMENT

TABLE 5

		Total CBQ corporations 2013 Q1 - Q3	Corporations increasing (or not changing) staff levels	Corporations reducing staff levels
Number of corporations		746	327	419
Number of employees				
Initial situation 2012 Q1 - Q3 (000s)		698	273	425
Rate 2013 Q1 - Q3/2012 Q1 - Q3		-2.5	3.1	-6.0
Permanent	Initial situation 2012 Q1 - Q3 (000s)	609	234	374
	Rate 2013 Q1 - Q3/2012 Q1 - Q3	-1.5	2.8	-4.2
Non-permanent	Initial situation 2012 Q1 - Q3 (000s)	89	38	51
	Rate 2013 Q1 - Q3/2012 Q1 - Q3	-9.3	4.5	-19.8

SOURCE: Banco de España.

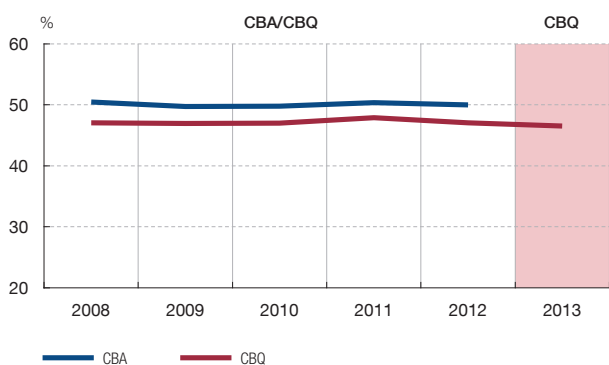
ANALYSIS OF DEVELOPMENTS IN FINANCIAL COSTS
Percentages

TABLE 6

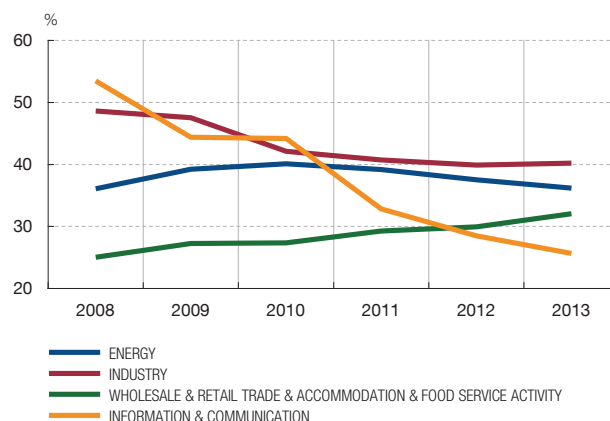
	CBA	CBQ	
	2012/2011	2012 Q1-Q4/ 2011 Q1-Q4	2013 Q1-Q3/ 2012 Q1-Q3
Change in financial costs	-0.5	-1.6	-2.4
A Interest on borrowed funds	-1.2	-2.8	-0.7
1 Due to the cost (interest rate)	1.0	-1.8	1.8
2 Due to the amount of interest-bearing debt	-2.2	-1.0	-2.5
B Other financial costs	0.7	1.2	-1.7

SOURCE: Banco de España.

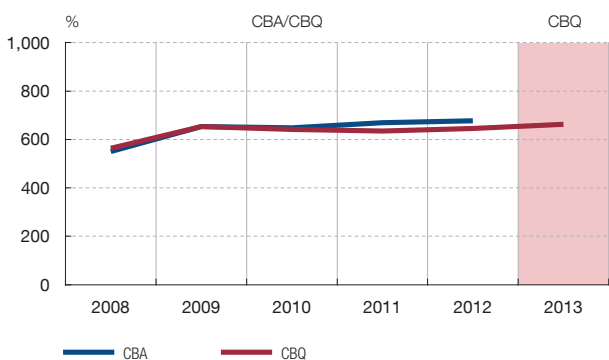
E1. INTEREST-BEARING BORROWING/NET ASSETS (a)
TOTAL CORPORATIONS



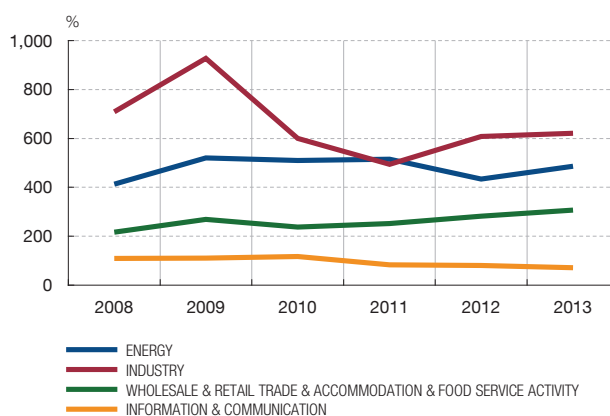
E1. INTEREST-BEARING BORROWING/NET ASSETS (a)
BREAKDOWN BY SECTOR. CBQ



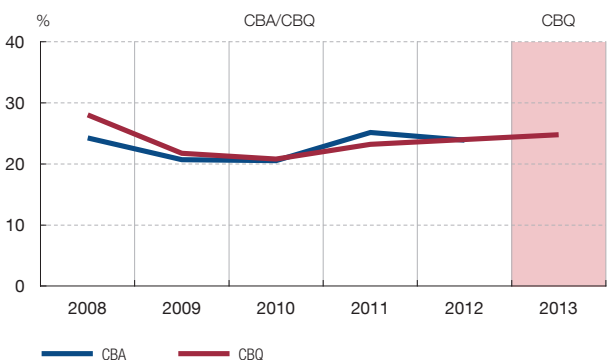
E2. INTEREST-BEARING BORROWING/(GOP + FR) (b)
TOTAL CORPORATIONS



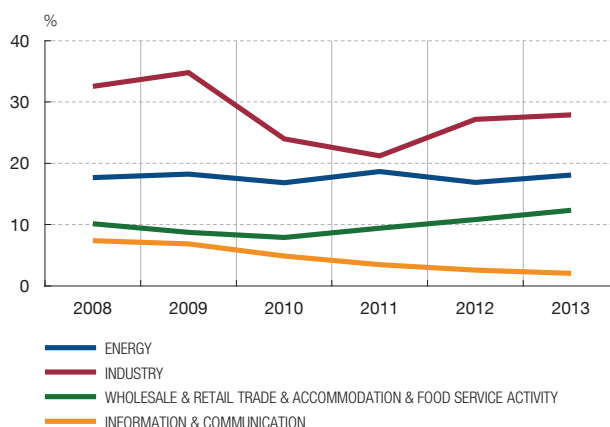
E2. INTEREST-BEARING BORROWING/(GOP + FR) (b)
BREAKDOWN BY SECTOR. CBQ



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



INTEREST BURDEN
BREAKDOWN BY SECTOR. CBQ



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).

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)	
	2012	2012 Q1-Q4	2012 Q1-Q3	2013 Q1-Q3	2012	2012 Q1-Q4	2012 Q1-Q3	2013 Q1-Q3	2012	2012 Q1-Q4	2012 Q1-Q3	2013 Q1-Q3	2012	2012 Q1-Q4	2012 Q1-Q3	2013 Q1-Q3
TOTAL	-7.5	-5.0	-5.7	-6.8	-17.0	-14.3	-25.5	-13.2	5.3	5.5	4.3	3.9	1.6	2.0	0.7	0.5
Size																
Small	-20.0	—	—	—	-47.3	—	—	—	2.0	—	—	—	-1.8	—	—	—
Medium	-9.8	-11.5	-16.1	-10.8	-15.8	-14.6	-24.0	-6.8	4.9	4.9	4.8	4.8	1.2	1.5	1.5	2.1
Large	-7.2	-4.8	-5.4	-6.7	-16.9	-14.3	-25.6	-13.3	5.4	5.5	4.3	3.9	1.7	2.0	0.7	0.4
Breakdown of activities																
Energy	1.3	1.0	1.3	-14.1	11.8	12.8	-0.7	-31.3	6.5	6.7	5.3	4.1	2.9	3.1	1.8	0.5
Industry	-11.3	-21.3	-23.9	-3.2	-10.6	-43.3	-32.9	-31.9	5.9	4.4	5.0	3.0	2.1	0.4	1.3	-1.2
Wholesale & retail trade and accommodation & food service activities	-11.4	-12.7	-4.7	-5.5	-20.4	-15.9	-10.5	-16.8	6.7	6.8	6.7	4.8	2.9	3.3	3.2	0.7
Information & communication	-11.4	-9.6	-11.6	-4.5	-18.6	-10.7	-14.1	-1.2	16.2	22.4	22.9	22.2	11.9	19.4	19.9	19.7
Other activities	-7.4	1.2	-3.5	3.3	-54.8	-47.5	-85.9	64.1	3.9	4.2	2.7	2.8	0.2	0.7	-0.9	-0.5

SOURCE: Banco de España.

was a certain increase in industry and in wholesale and retail trade and accommodation and food service activities, and a slight fall in energy and in information and communication. The ratio E2 (interest-bearing borrowing to the sum of GOP and financial revenue) increased slightly both in 2012 and during the first three quarters of 2013, as a result of the unfavourable path of profit from ordinary activities. For its part, the ratio that measures the interest burden declined somewhat in 2012, for the CBA sample, while in the first nine months of 2013 the CBQ shows an increase of 0.8 pp, to 24.8%, as a consequence of a larger contraction in the sum of GOP and financial revenue than in financial costs. Both in the case of the interest burden and in that of E2 the sector breakdown shows a slight rising trend for industry, energy, and wholesale and retail trade and accommodation and food service activities, the information and communication sector being the only one in which both ratios fell somewhat. Overall, the behaviour of the three indicators reveals that the degree of financial pressure on firms has been steady during 2013, although it remains high. This same conclusion is drawn when analysing the percentage of firms subject to high financial pressure (see Box 2).

Net depreciation, impairment and operating provisions grew by 7% in 2012, largely driven by the provisions made by certain real-estate firms, in order to recognise the lower value of their stocks. In the first nine months of 2013 this item increased by 2.6%, affected by the impact of the balance sheet updating law, which has led to an increase in depreciation in firms that have decided to revise the value of their tangible fixed assets upwards.

In line with the contractionary pattern displayed by GOP, ONP declined in 2012, by 17%, and, more moderately, in the first three quarters of 2013 (by 13.2%). Excluding energy, this

The strong contraction in the income of non-financial corporations since the onset of the crisis in 2008, against a background of high indebtedness, is a significant source of financial pressure. A useful indicator used relatively commonly to assess financial pressure on firms is the percentage of companies whose financial costs exceed their surplus from ordinary activities before payment of interest (gross operating profit plus financial revenue).¹ From a macroeconomic standpoint, this indicator is of interest for assessing firms' future investment and hiring decisions. Additionally, insofar as the bulk of non-financial corporations' debt consists of bank loans, the indicator is also useful from a financial stability point of view.

This box analyses the behaviour of this indicator from the beginning of the crisis using mainly the so-called CBI database, which contains integrated information of the Central Balance Sheet Data Office obtained by merging the CBA (Central Balance Sheet Data Office Annual Survey) database with the CBB (information on annual accounts lodged by companies with the mercantile registries). Given that these data are only available up to 2012,² use is also made of the quarterly database (CBQ) to approximate the most recent behaviour of the indicator. This provides information up to 2013 Q3, although it should be kept in mind that some sectors (such as construction and real estate development) are not well represented in the CBQ and that the behaviour of large firms predominates.

Chart 1 shows how the percentage of firms under high financial pressure according to this indicator exhibited a growing trend from the beginning of the crisis in 2007 to last year, increasing from 18.1% to 30.5%. The breakdown by size reveals that the indicator behaved similarly in SMEs and in large firms, although the degree of financial pressure was higher in the former than in the latter. The percentage of the sector's debt accounted for by firms in this situation behaves in much the same way (see Chart 2), although with slightly higher levels (32.2% in 2012), reflecting the fact that the borrowed funds of these firms were slightly higher than average.

¹ In this definition of ordinary profit, neither amortisation nor depreciation is deducted because they are both costs for accounting purposes and do not require disbursement of funds by firms.

² For 2012 the number of firms available is only 150,000 because the database is not yet closed for this year and data are still being received.

Given that the crisis had a substantially greater impact on the construction and real estate development sectors, it is of interest to analyse them separately. In this respect, Charts 3 and 4 confirm how the financial position of the firms in these sectors worsened sharply up to 2012, since the percentage of firms under high financial pressure increased by 22 pp to 42.3%. Last year the debt of these firms amounted to 61.5% of the borrowed funds of these sectors. Analysis by firm size shows no significant differences, since for 2012 the results were similar both in the percentage of firms in this situation and in the weight of their debt. The charts also show that, for larger firms and for the two sectors as a whole, the bulk of the deterioration took place between 2007 and 2010. From 2010 onwards this indicator remained relatively steady.

Charts 5 and 6 show that up to 2012 the financial pressure on firms increased much more moderately in other sectors. Thus the percentage of firms under high financial pressure increased by 10.5 pp between 2007 and 2012 to stand at 20.1% in the latter year and their debt accounted for 27.3% of that of these sectors. Also, SMEs were under greater financial pressure than larger firms.

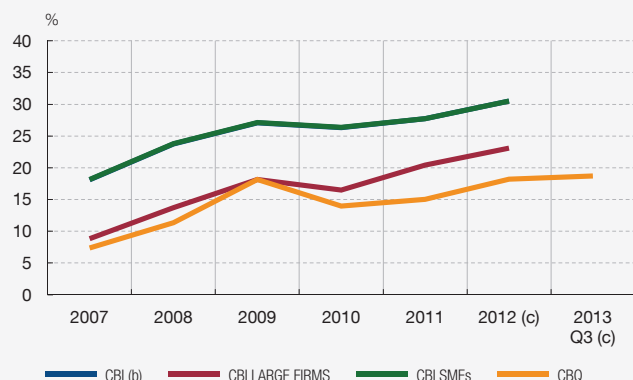
The latest CBQ data show how the growing trend in the percentage of firms under high financial pressure moderated substantially in the first quarter of 2013³ (the indicator increased by 0.5 pp in this period, compared with a rise of 3.2 pp in 2012) and how, in terms of the relative weight of the debt of these firms, the indicator even decreased.

In conclusion, from the onset of the crisis to last year, the sharp contraction in the income of non-financial corporations raised the proportion of firms which, gauged by the indicator considered in this box, were under high financial pressure. The situation of the firms in construction and real estate development worsened much more sharply, irrespective of firm size. In other firms, the indicator increased much more moderately and the degree of financial tension was higher in SMEs than in large firms. From 2012 onwards, the available information (which is less complete) indicates that the number of firms under financial pressure clearly grew more slowly and even that the trend in the relative weight of their debt reversed slightly.

³ In the CBQ, the indicator is not calculated for the aggregate of firms in the construction and real estate development sectors because these sectors are not well represented in the CBQ sample.

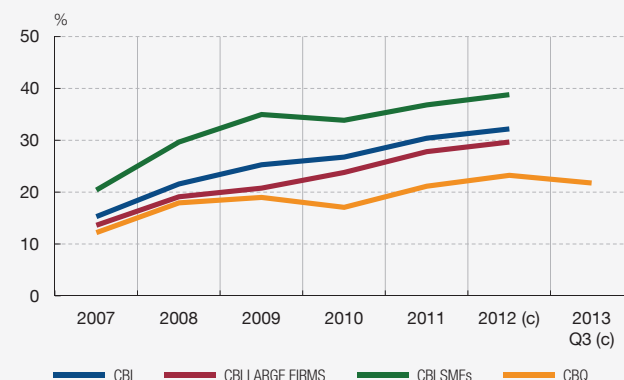
PERCENTAGE OF FIRMS

1 TOTAL

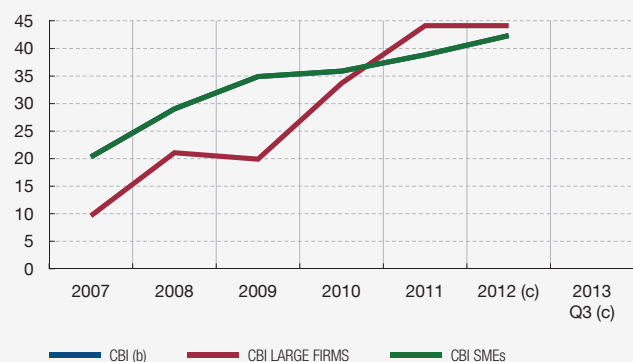


PERCENTAGE OF DEBT

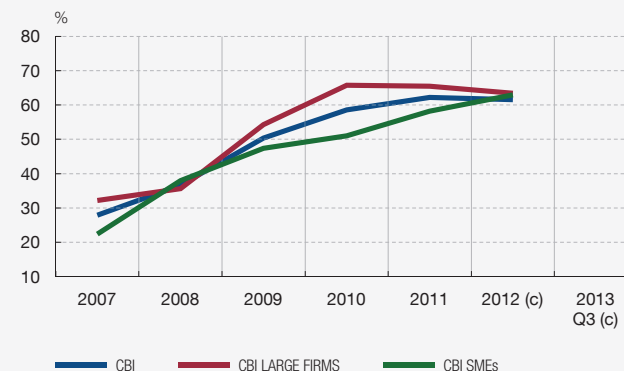
2 TOTAL



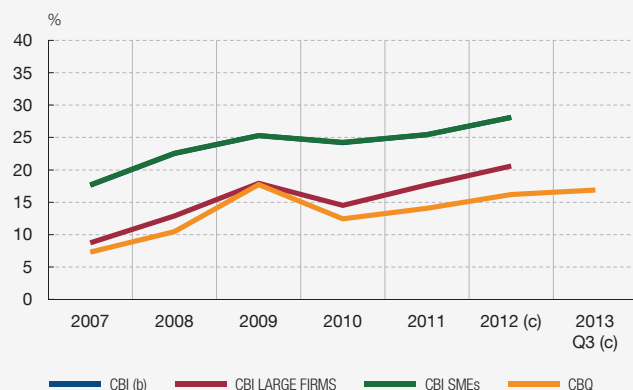
3 CONSTRUCTION AND REAL ESTATE DEVELOPMENT



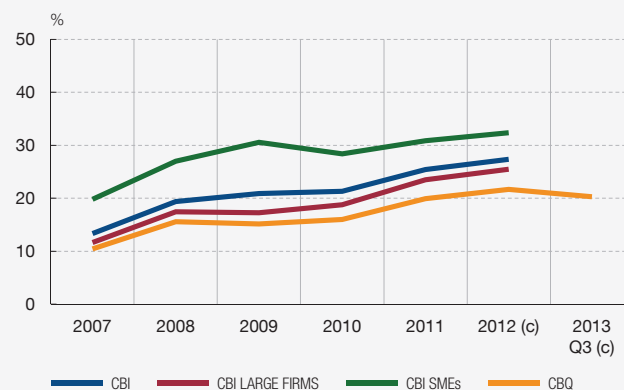
4 CONSTRUCTION AND REAL ESTATE DEVELOPMENT



5 OTHER SECTORS



6 OTHER SECTORS



SOURCE: Banco de España.

- a Firms in which the ratio (gross operating profit + financial revenue) / financial costs is less than 1. Those with zero financial costs are not considered in this calculation.
- b The "CBI" time series is not visible in the chart because it is practically identical to the "CBI SMEs" time series, since more than 99% of the sample are SMEs.
- c The 2012 and 2013 Q3 data are the result of applying the change in the related percentage, calculated from a common sample of firms, to the prior-period data.

		CBQ			
		Return on investment (R.1)		Ordinary return on equity (R.3)	
		2012 Q1 - Q3	2013 Q1 - Q3	2012 Q1 - Q3	2013 Q1 - Q3
Number of corporations		858	746	858	746
Percentage of corporations by profitability bracket	R ≤ 0	31.8	32.2	38.0	37.6
	0 < R ≤ 5	27.6	27.6	17.2	18.3
	5 < R ≤ 10	13.7	14.6	11.1	11.5
	10 < R ≤ 15	8.5	7.4	7.8	7.8
	R > 15	18.4	18.2	25.9	24.9
MEMORANDUM ITEM: Average return		4.3	3.9	5.0	4.3

SOURCE: Banco de España.

surplus would have increased slightly, by 1.1%. The fall in ONP led to a further deterioration in profitability in both periods. Thus, the ratio that measures the return on investment fell by 0.1 pp in 2012, to 5.3%, while in the first three quarters it fell to 3.9%, from 4.3% in the first nine months of 2012. The return on equity stood at 6.8% in 2012, down 0.2 pp from the previous year, while during the first three quarters of the current year it contracted by 0.7 pp, relative to the same period a year earlier, to 4.3%.

In 2012, the return on investment fell in all the sectors analysed, except energy, in which it increased by 1 pp, to 6.5%. In the first three quarters of 2013 this indicator also declined in all sectors except one, the exception being "other activities", in which it held at similar levels to those recorded a year earlier. The largest fall, of 2 pp, was recorded in industry and in wholesale and retail trade and accommodation and food service activities (which reduced the return to 3% and 4.8%, respectively), while in energy and information and communication the decreases were around 1 pp (see Table 7).

Table 8 shows that during the current year there has been a shift in the distribution of profitability towards lower levels. However, the dispersion of this variable remains very high; while almost one third of firms have negative returns on investment, one quarter of the sample have returns of over 10%.

The cost of borrowing barely changed either in 2012, when it stood at 3.7% in the CBA, or in the first nine months of 2013, when it was close to 3.4% in the CBQ. The downward path of the return on investment, in conjunction with the relative stability of the cost of debt, meant that the spread between these two indicators narrowed slightly in 2012, by 0.1 pp, while in the first nine months of this year it narrowed somewhat more, to stand at close to zero (0.5%) for the quarterly sample, 0.2 pp less than in the same period of 2012. As a result of the decline in this indicator, it turned negative in some sectors, such as industry and "other activities" (-1.2% and -0.5%, respectively).

Finally, an analysis of extraordinary costs and revenue shows the contrasting influence these gains (losses) have had on net profit in the two periods analysed. In 2012 there was a significant increase in impairment allowances, basically relating to financial assets, which

caused a large negative change in the item capital gains and extraordinary revenues last year. By contrast, during the first nine months of 2013 there was an opposite effect, basically because the amount of the allowances was very much lower. As a result, net profit fell drastically in 2012 (by 99.8%), while in the first nine months of 2013 it recovered somewhat, rising by 18.1%. As a percentage of GVA, net profit declined in 2012 to practically zero, while in the first nine months of 2013, for the CBQ sample, it increased by somewhat more than 2 pp with respect to the same period of the previous year, to 11.6%.

18.11.2013