

RESULTS OF NON-FINANCIAL CORPORATIONS IN 2014 Q1

The authors of this article are Álvaro Menéndez and Maristela Mulino, of the Directorate General Economics, Statistics and Research

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 was more buoyant in 2014 Q1, extending the progressive improvement observed in the last few months of the previous year. Specifically, gross value added (GVA) increased by 2.1% in year-on-year terms, as against a decline of 6.9% in the same period of 2013. The growth was seen in most sectors, against a background of more favourable developments in domestic demand and a continuing positive effect of exports on turnover.

Personnel costs increased by 0.1%, as compared with a decrease of 1.6% in 2013 Q1. This was the result of an easing in the year-on-year rate of decline employment (to 0.9%, somewhat more than 1.5 pp down from a year earlier) and growth of 1% in average compensation, the same rate as in 2013 Q1. Gross operating profit (GOP) increased by 4.1%, as against a decrease of 11.6% a year earlier. By contrast, financial revenue decreased by 9.1%, influenced by the negative performance of dividends received, which was partially offset by the rise in interest income. Financial costs also declined somewhat (2.7%), mainly as a result of the year-on-year decline in corporate debt, since the average cost of borrowing scarcely underwent significant changes.

Depreciation, impairment and operating provisions, affected by the accounting restatement carried out by some large firms in 2013, increased by 5.2%. This, along with falls in financial revenue and costs, led to a rise in ordinary net profit (ONP) of 1.7%, a significant improvement on a year earlier, when ONP shrank by 16.4%. Meanwhile, the profit ratios increased slightly with respect to the same period of the previous year; the one calculated in terms of net assets stood at 3.6% (up 0.1 pp from 2013), while that relative to equity rose by 0.2 pp, to 3.7%. The cost of debt fell by 0.1 pp, to 3.4%, so that the difference between the return on investment and this indicator was positive (0.1%) in 2014 Q1 and slightly higher than a year earlier, when it was practically zero.

The decrease in liabilities in 2013 continued in the early months of 2014. Hence, the ratio E1 (interest-bearing debt/net assets) declined somewhat from its end-2013 level. This also explains the slight dip in the ratio E2 (ratio of debt to the sum of gross operating profit and financial revenue), which was also influenced by the favourable course of corporate profits. The interest burden ratio also decreased moderately, owing to the fall in financial costs and the rise in ordinary profit (the denominator of this indicator).

Finally, extraordinary costs and revenue did not have a significant impact on profit in 2014 Q1, unlike in the previous year, when certain large costs arose, mainly as a result of losses on disposals of financial assets. The outcome of all this was that net profit increased by 49.3%. Relative to GVA, it stood at 17.7%, well above the 12.1% figure recorded a year earlier by the same firms.

¹ This article is based on the quarterly information sent to the Central Balance Sheet Data Office by 753 reporting corporations up to 11 June. In terms of GVA, this sample accounts for 14.6% of the non-financial corporations sector.

Activity

In 2014 Q1 the GVA of the corporations reporting to the CBQ increased by 2.1% year-on-year, as compared with a fall of 6.9% a year earlier (see Table 1 and Chart 1). This positive outcome took place against a backdrop of progressive improvement in domestic demand and continued export buoyancy. Thus, the breakdown of turnover by destination shows how cross-border transactions grew by 5.5%, as compared with a 3.1% increase in 2013 Q1. Meanwhile, domestic sales fell by 2.2%, a much more moderate decline than a year earlier (8.1%). Hence, exports continued to rise as a proportion of total sales, reaching 20.1%, more than 1 pp up from the same period of 2013 (see Table 2).

The sectoral breakdown shows that the increase in GVA was very broadly based, with rises in almost all sectors (see Table 3). The only exception was information and communication, which saw a 6.3% fall in GVA, as against a 3.5% decline in 2013 Q1. In the wholesale and retail (hereafter “distributive”) trade and accommodation and food service activities sector GVA grew by 13.8%, in sharp contrast to the 13.1% fall in the same period of the previous year. In industry the increase was 5.5%, as against a decline of 3.4% a year earlier. These positive developments extended to practically every industrial sub-sector, with the sharpest rises in GVA recorded in food, beverages and tobacco, the manufacture of transport equipment and the manufacture of mineral and metal products (20.1%, 9% and 6.3%, respectively). In the energy sector GVA also increased, albeit more moderately (0.3%), when in 2013 Q1 it had fallen by 8.1%. This slight rise was prompted by the recovery in the electricity, gas and water supply sub-sector, where GVA rose by 3.8%, having fallen by 5.9% a year earlier. By contrast, GVA in oil refining contracted even more sharply than in 2013 (by 39.7%, as against 32.5%). Finally, in the group that covers other activities GVA increased by 1%, as compared with a decline of 5% a year earlier, the companies of the transport sector recording the largest increases.

Chart 2 shows that GVA was more buoyant in every quartile of the distribution, with significant increases in growth rates relative to the levels recorded in 2013 Q1. This suggests that the improvement in activity affected most of the firms in this sample, although a high degree of heterogeneity persists in the performance of this variable, as seen, for example, in the fact that the interquartile range (the difference between the 75th and 25th percentiles) remained around 30 pp.

Employment and personnel costs

Personnel costs increased slightly (0.1%) in 2014 Q1, as compared with a 1.6% fall in the same period a year earlier. This was the result of a decline of 0.9% in average employment at the CBQ sample firms offset by 1% growth in average compensation (see Table 3).

The year-on-year fall in employment was around 1.5 pp smaller than in the same period of 2013 and in the whole of 2013 (2.6% and 2.3%, respectively). By type of contract, the 1% growth in temporary employment (see Table 4) was notable, this being the first quarter since 2008 that a year-on-year increase in this item has been recorded. By contrast, the number of workers with permanent contracts, still affected by staff cuts at certain large firms in the sample, continued to decline, at the same rate as in the same period a year earlier (1.2%). Table 5 shows that in 2014 Q1 54.4% of the firms of the quarterly sample destroyed jobs, 2 pp more than in the same period of 2013, but very similar to the percentage recorded in 2013 as a whole. The sectoral breakdown reveals that in almost all cases the average number of workers continued to fall year-on-year, albeit more moderately than a year earlier, except in energy where the average workforce fell by 2.6%, almost 0.5 pp more than in 2013 (see Table 3). Declines were recorded in industry, the distributive trade and accommodation and food services, and information and communication, but they were more moderate than in the previous year. Finally, the residual sector of other

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

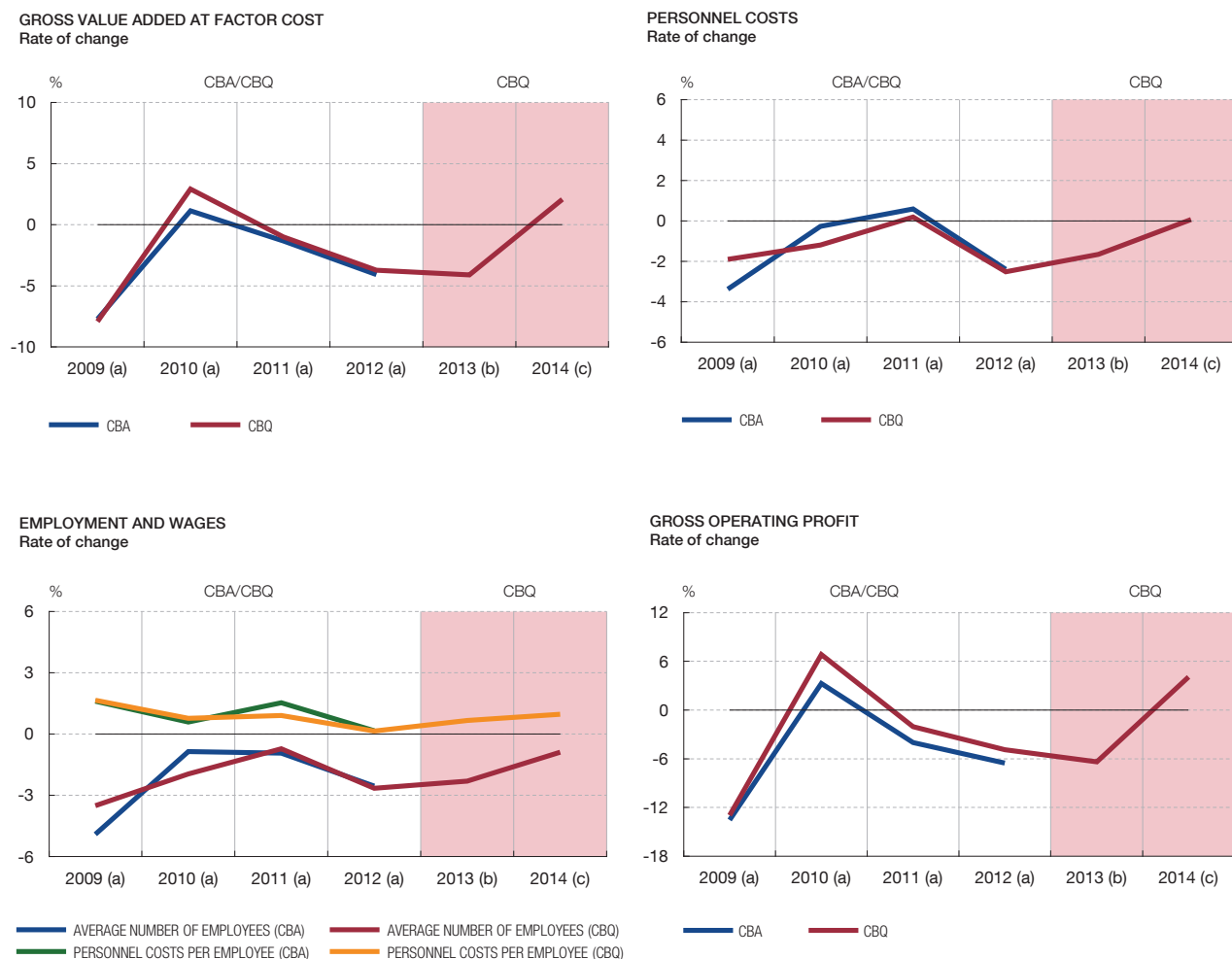
DATABASES	CBA Structure	CBA		CBQ		
	2012	2011	2012	2013 Q1-Q4/ 2012 Q1-Q4 (a)	2013 Q1/ 2012 Q1	2014 Q1/ 2013 Q1
NUMBER OF CORPORATIONS		10,066	8,454	822	868	753
Total national coverage (% of GVA)		31.5	28.8	12.8	14.0	14.6
PROFIT AND LOSS ACCOUNT						
1 VALUE OF OUTPUT (including subsidiaries)	100.0	3.7	-1.2	-3.1	-3.5	-2.6
<i>Of which:</i>						
<i>Net amount of turnover and other operating income</i>	145.8	3.7	-0.3	-3.4	-6.0	-1.6
2 INPUTS (including taxes)	68.9	6.3	0.2	-2.7	-2.1	-4.5
<i>Of which:</i>						
<i>Net purchases</i>	92.6	5.4	-0.3	-6.4	-3.2	-2.9
<i>Other operating costs</i>	22.9	0.5	0.6	1.3	-0.9	0.7
S.1 GROSS VALUE ADDED AT FACTOR COST [1 – 2]	31.1	-1.3	-4.1	-4.1	-6.9	2.1
3 Personnel costs	18.7	0.6	-2.4	-1.7	-1.6	0.1
S.2 GROSS OPERATING PROFIT [S.1 – 3]	12.4	-4.0	-6.5	-6.4	-11.6	4.1
4 Financial revenue	5.5	6.1	3.0	17.0	17.1	-9.1
5 Financial costs	4.6	12.1	-1.1	-4.5	-3.8	-2.7
6 Depreciation, impairment and operating provisions	7.1	0.8	9.3	-1.7	0.2	5.2
S.3 ORDINARY NET PROFIT [S.2 + 4 – 5 – 6]	6.2	-10.7	-17.0	4.5	-16.4	1.7
7 Gains (losses) from disposals and impairment	-5.3	-86.1	–	25.3	-61.1	–
7' As a percentage of GVA (7/S.1)		-2.2	-16.9	-15.6	-5.6	0.4
8 Changes in fair value and other gains (losses)	-1.7	-60.0	-32.3	39.4	9.0	47.6
8' As a percentage of GVA (8/S.1)		-4.2	-5.5	-3.8	-3.2	-1.0
9 Corporate income tax	0.2	-53.9	-73.2	–	-11.4	30.2
S.4 NET PROFIT [S.3 + 7 + 8 – 9]	-1.0	-21.0	–	128.1	-37.6	49.3
S.4' As a percentage of GVA (S.4/S.1)		13.3	-3.1	13.7	9.3	17.7
PROFIT RATIOS						
	Formulas (b)					
R.1 Return on investment (before taxes)	(S.3 + 5.1) / NA	5.4	5.2	6.8	3.5	3.6
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	6.5	9.6	3.5	3.7
R.4 ROI – cost of debt (R.1 – R.2)	R.1 – R.2	1.7	1.4	3.3	0.0	0.1

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).

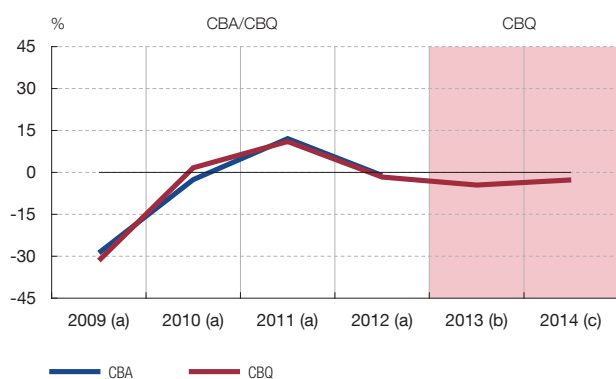


Reporting non-financial corporations		2009	2010	2011	2012	2013	2014
Number of corporations	CBA	9,870	10,135	10,066	8,454	—	—
	CBQ	796	805	818	838	822	753
% of GVA of the sector non-financial corporations	CBA	31.0	31.7	31.5	28.8	—	—
	CBQ	12.7	13.1	13.5	13.6	12.8	14.6

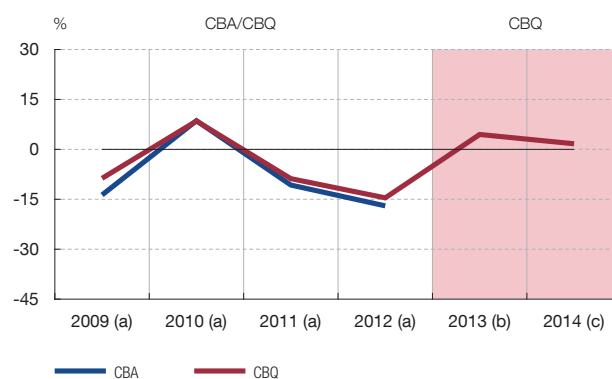
SOURCE: Banco de España.

- a The 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 Average of the four quarters of 2013 relative to the same period in 2012.
- c Data for 2014 Q1 relative to the same period in 2013.

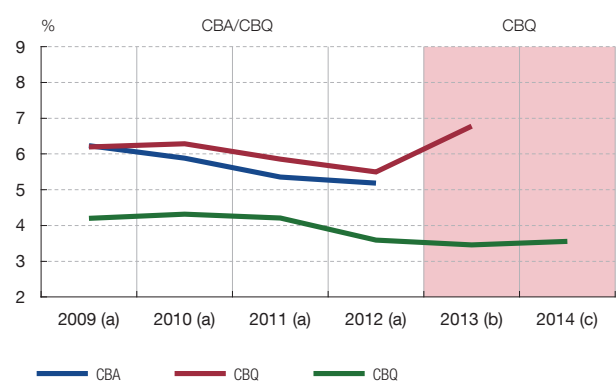
FINANCIAL COSTS
Rate of change



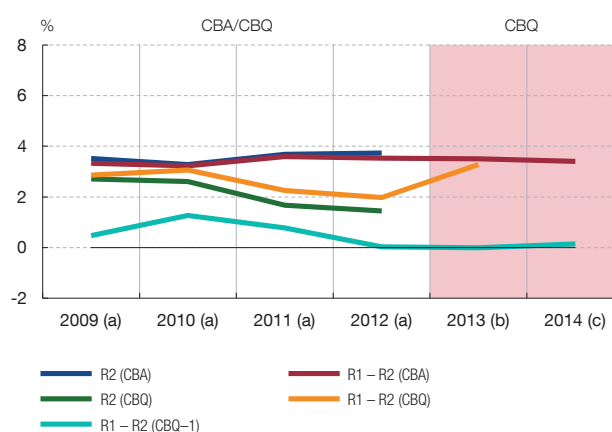
ORDINARY NET PROFIT
Rate of change



RETURN ON INVESTMENT (R.1)
Ratios



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



Reporting non-financial corporations		2009	2010	2011	2012	2013	2014
Number of corporations	CBA	9,870	10,135	10,066	8,454	—	—
	CBQ	796	805	818	838	822	753
% of GVA of the sector non-financial corporations	CBA	31.0	31.7	31.5	28.8	—	—
	CBQ	12.7	13.1	13.5	13.6	12.8	14.6

SOURCE: Banco de España.

- a The 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 Average of the four quarters of 2013. In the case of the rates, the calculation is made relative to the same period in 2012.
- c Data for 2014 Q1. In the case of the rates, the calculation is made relative to the same period in 2013.

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

TABLE 2

		CBA		CBQ	
		2012	2013 Q1-Q4 (a)	2013 Q1	2014 Q1
Total corporations		8,454	822	753	753
Corporations reporting source/destination		8,454	763	701	701
Percentage of net purchases according to source	Spain	64.9	78.8	78.1	75.7
	Total abroad	35.1	21.2	21.9	24.3
	EU countries	15.0	17.3	17.0	19.7
	Third countries	20.0	3.9	5.0	4.6
Percentage of net turnover according to destination	Spain	80.3	81.2	81.0	79.9
	Total abroad	19.7	18.8	19.0	20.1
	EU countries	12.4	13.8	14.1	15.3
	Third countries	7.3	5.1	4.8	4.8
Change in net external demand (exports less imports), rate of change	Industry	19.4	8.5	11.1	7.3
	Other corporations	0.5	27.2	73.6	-39.1

SOURCE: Banco de España.

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

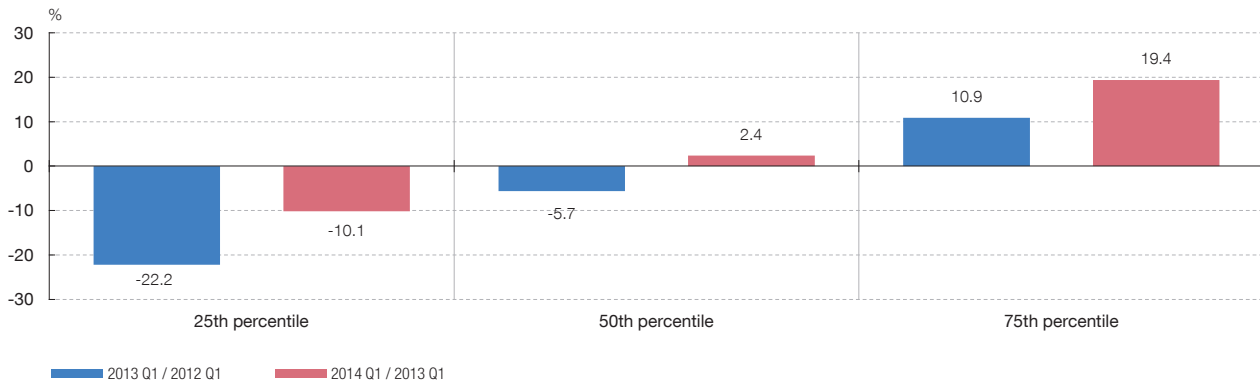
VALUE ADDED, EMPLOYEES, PERSONNEL COSTS AND PERSONNEL COSTS PER EMPLOYEE. BREAKDOWN BY SIZE AND MAIN ACTIVITY OF CORPORATIONS
Growth rate of the same corporations on the same period a year earlier. Percentages

TABLE 3

	Gross value added at factor cost				Employees (average for period)				Personnel costs				Personnel costs per employee			
	CBA		CBQ		CBA		CBQ		CBA		CBQ		CBA		CBQ	
	2012	2013 Q1-Q4 (a)	2013 Q1	2014 Q1	2012	2013 Q1-Q4 (a)	2013 Q1	2014 Q1	2012	2013 Q1-Q4 (a)	2013 Q1	2014 Q1	2012	2013 Q1-Q4 (a)	2013 Q1	2014 Q1
Total	-4.1	-4.1	-6.9	2.1	-2.5	-2.3	-2.6	-0.9	-2.4	-1.7	-1.6	0.1	0.2	0.7	1.0	1.0
Size																
Small	-7.6	—	—	—	-5.2	—	—	—	-4.2	—	—	—	1.1	—	—	—
Medium	-4.2	-4.1	-10.1	2.2	-3.3	-4.6	-4.6	-1.1	-2.8	-3.1	-3.5	-0.8	0.5	1.6	1.2	0.3
Large	-4.0	-4.1	-6.8	2.1	-2.4	-2.2	-2.5	-0.9	-2.3	-1.6	-1.5	0.1	0.1	0.6	1.0	1.0
Breakdown of activities																
Energy	0.6	-9.2	-8.1	0.3	-3.3	-1.3	-2.2	-2.6	-1.3	0.3	1.0	-1.3	2.0	1.6	3.3	1.4
Industry	-4.8	-3.3	-3.4	5.5	-2.2	-2.4	-2.7	-0.2	-1.4	-1.4	-1.9	0.2	0.8	1.0	0.8	0.5
Wholesale & retail trade & accommodation and food service activities	-4.9	1.0	-13.1	13.8	-1.5	-2.4	-1.8	-1.4	-1.2	-1.4	-2.0	3.0	0.3	1.0	-0.2	4.5
Information and communications	-7.0	-5.0	-3.5	-6.3	-2.5	-4.3	-4.6	-3.3	-0.8	-4.5	-3.8	-4.2	1.8	-0.3	0.8	-1.0
Other activities	-3.9	-2.0	-5.0	1.0	-3.3	-2.0	-2.8	0.2	-4.1	-1.7	-1.4	0.3	-0.9	0.4	1.4	0.0

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.

activities was the most expansionary, with a 0.2% increase in the average number of workers, which mainly stemmed from the positive evolution of the other services sub-sector.

Average compensation grew by 1%, the same rate as in 2013 Q1. The sectoral breakdown reveals, however, that in practically all the sectors analysed average wage developments were more moderate, except in the distributive trade and accommodation and food service activities, where average personnel costs grew by 4.5%, as a consequence of the increase in the variable component of such remuneration. Among the other sectors, information and communication and the residual sector of other activities were notable as being the ones in which these costs were most contained, with rates of -1% and 0%, respectively. Finally, energy and industry recorded increases of 1.4% and 0.5%, respectively.

Profits, rates of return and debt

Gross operating profit grew by 4.1%, as against a decline of 11.6% in the same period a year earlier. As in the case of GVA, the improvement was broadly based at the sector level, with the exception of information and communications, in which GOP shrank by 7.2%, almost four percentage points more than in 2013. Notable among the other sectors were industry and the distributive trade and accommodation and food service activities, in which this surplus increased most strongly (by 17.8% and 34.3%, respectively).

Financial revenue, meanwhile, declined by 9.1%, as a result of a 17.1% fall in dividend receipts, partially offset by an increase of 1.8% in interest revenue.

The deleveraging recorded in 2013 continued in 2014 Q1, with the developments in the CBQ heavily influenced by some of the major corporate groups, which have been making substantial debt repayments in recent years (see Box 1). In line with these developments, the E1 ratio (interest-bearing debt as a proportion of net assets) fell somewhat in Q1, to stand at 45.6%, down 0.4 pp from December 2013 (see Chart 3). The ratio of debt to ordinary profit (E2) also fell slightly, owing to the downward trend in debt and the favourable course of profits. The sectoral breakdown shows that the fall in these ratios stemmed mainly from the energy and industry sectors, while in the distributive trade and accommodation and food service activities and information and communication they rose slightly or hardly changed in 2014 Q1.

The downward trend in debt and, to a lesser extent, the slight reduction in the average cost of borrowed funds (from 3.5% to 3.4%) contributed to the decline of 2.7% in financial

EMPLOYMENT

TABLE 4

		Total CBQ Corporations 2014 Q1	Corporations increasing (or not changing) staff levels	Corporations reducing staff levels
Number of corporations		753	343	410
Number of employees				
Initial situation 2013 Q1 (000s)		801	226	575
Rate 2014 Q1/ 2013 Q1		-0.9	8.1	-4.4
Permanent	Initial situation 2013 Q1 (000s)	682	178	504
	Rate 2014 Q1/ 2013 Q1	-1.2	6.0	-3.8
Non-permanent	Initial situation 2013 Q1 (000s)	119	48	71
	Rate 2014 Q1/ 2013 Q1	1.0	16.0	-9.1

SOURCE: Banco de España.

PERSONNEL COSTS AND EMPLOYEES
Percentage of corporations in specific situations

TABLE 5

	CBA		CBQ			
	2011	2012	2012 Q1 - Q4 (a)	2013 Q1 - Q4 (a)	2013 Q1	2014 Q1
Number of corporations	10,066	8,454	838	822	868	753
Personnel costs	100	100	100	100	100	100
Falling	43.6	56.1	55.4	50.2	52.5	45.0
Constant or rising	56.4	43.9	44.6	49.8	47.5	55.0
Average number of employees	100	100	100	100	100	100
Falling	43.7	50.1	56.5	54.2	52.4	54.4
Constant or rising	56.3	49.9	43.5	45.8	47.6	45.6

SOURCE: Banco de España.

a Weighted average of the relevant quarters for each column.

costs (see Table 6). This, along with the favourable course of ordinary profit, led to a reduction in the debt burden ratio, measured with respect to GOP plus financial revenues, to 23.2% (down 0.4 pp from 2013).

Depreciation, impairment and operating provisions increased by 5.2%, owing mainly to higher provisioning by certain large firms that opted to update their balance sheets in 2013. This, along with the developments in operating activities and financial costs, led to growth in the ordinary net profit obtained by the firms of 1.7% in 2014 Q1, as against a decline of 16.4% in the same period a year earlier. The ratio that approximates the return on investment increased slightly, to 3.6%, up 0.1 pp from 2013, while the return on equity rose by 0.2 pp to 3.7% (see Table 7). The sectoral breakdown of the return on investment shows a high degree of heterogeneity. In industry and in the distributive trade and accommodation and food service activities there was a clear increase in this indicator, to 4.4% and 9%, respectively, as against 2.7% and 7.7% a year earlier. By contrast, in information and communication the return on investment fell by more than 4 pp to stand at 15.3%. In the energy sector and in the sector that includes other activities this variable

This Box analyses developments in the debt of the large groups of non-financial corporations since the onset of the crisis, drawing on the CBA from 2008 to 2012 (the latest year for which data are available) and the CBQ for 2013.¹ A total of 20 large corporate groups, whose interest-bearing debt represents

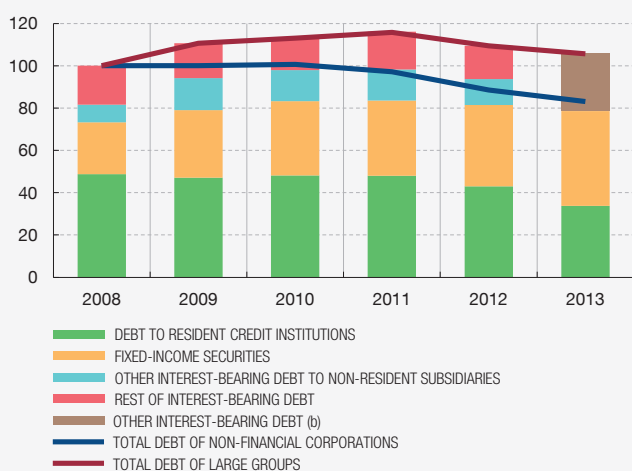
around 20% of Spanish corporate sector debt, were selected. Since the CBQ contains a smaller sample of firms than the CBA, the analysis for 2013 used the information from a smaller number of groups (a total of 15), which, however, account for 17% of the total debt of the non-financial corporations sector.

1 The analysis focuses exclusively on the debt of resident corporate groups. To avoid double counting, the amounts of intra-group debt in Spain are netted.

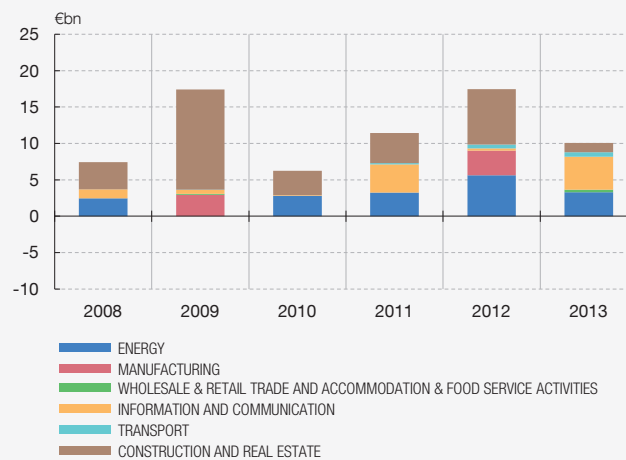
Panel 1 shows how, until 2011, the debt of the large groups exhibited more dynamic behaviour than that of the non-financial

ANALYSIS OF THE DEBT OF LARGE SPANISH GROUPS (a)

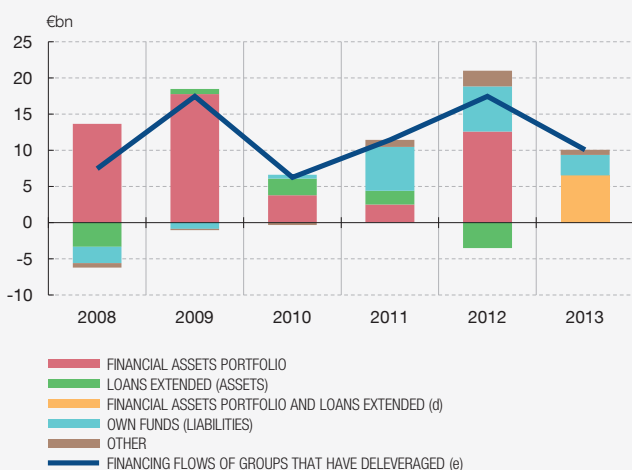
1 DEBT OF LARGE GROUPS AND OF TOTAL NON-FINANCIAL CORPORATIONS (2008=100)



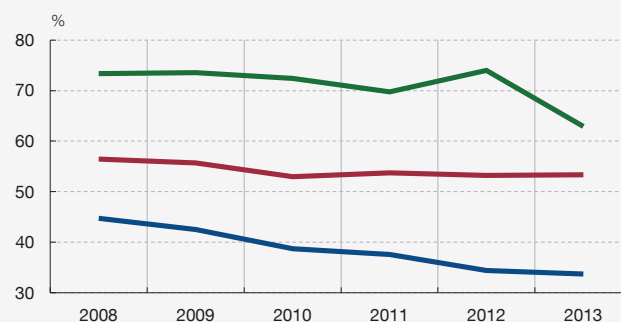
2 FINANCING FLOWS OF CORPORATE GROUPS (SIGN CHANGED) WHICH HAVE REDUCED THEIR DEBT. BREAKDOWN BY INDUSTRY



3 FINANCING FLOWS OF CORPORATE GROUPS THAT HAVE LOWERED THEIR DEBT (c)



4 DISTRIBUTION OF DEBT RATIO OF LARGE GROUPS (f)



SOURCE: Banco de España.

a Results up to 2012 drawn from the CBA. The results for 2013 are drawn from the CBQ and in Panels 1 and 2 are linked to the data of the previous period.
 b Includes other interest-bearing debt of non-resident subsidiaries and all other interest-bearing debt, as this breakdown was not available for the CBQ database.
 c In the bars in the panel, a positive (negative) sign for assets items denotes a decrease (increase). A positive (negative) sign for liabilities items denotes an increase (decrease).
 d Includes financial assets portfolio and loans extended, as this breakdown was not available for the CBQ database.
 e Sign changed.
 f Debt ratio defined as interest-bearing debt/net assets.

corporations sector. Thus the balance of the financing of these groups showed a continuous increase which contrasts with the steady (in the first few years) and decreasing (since 2010) behaviour of the debt of the corporate sector as a whole. In the large corporate groups, deleveraging began in 2012 and from that year until end-2013 the debt of these firms decreased by 8.7% to a level still slightly above that of 2008. According to the 2014 Q1 information, this pattern has continued in the first few months of this year, although the rate of contraction has moderated.

Panel 1 also reveals a change in the composition of the debt of the large Spanish groups, such that the financing obtained through securities issuance has gained in relative importance, at the expense of that received from credit institutions. Specifically, from 2008 to 2013 the weight of fixed-income securities nearly doubled from 24.5% to 42.4%, and this upward trend has quickened in the past year, in which their share increased by 7.3 pp. This behaviour may reflect the more advantageous conditions available to these firms by recurring directly to the markets instead of to financial intermediaries, against a background of progressively recovering confidence of international investors in the Spanish economy.

This change in the total debt of corporate groups is the result of heterogeneous behaviour of the firms comprising them. A disaggregated analysis reveals that groups were deleveraging during the entire period analysed. The cumulative decrease in the debt of these groups was €70 billion. The breakdown by industry shows that, throughout this period, construction and

real estate services accounted for the largest amount of deleveraging transactions (€33.9 billion), since this industry was one of the hardest hit by the crisis and thus had a greater need to adjust its balance sheets² (see Panel 2). Second in importance was energy, at €17.4 billion, and third was information and communications at €10.5 billion, with half of this figure being recorded in the past year. On average, 7 of the 20 CBA groups analysed reduced their debt in one of the years between 2008 and 2012, these processes affecting 12 of them in 2012. On CBQ data, in 2013 12 of the 15 groups reduced their debt.

Panel 3 shows that the main balancing entry of the deleveraging of the groups which reduced their debt in the last few years was the sale of equity investments and, to a lesser extent, capital increases.

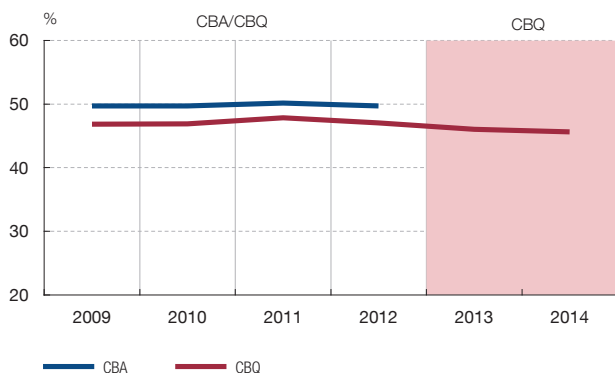
Lastly, Panel 4 shows the behaviour of the quartiles of distribution of the debt/assets ratio for the corporate groups analysed in this Box. It can be seen that between 2008 and 2013 these indicators trended downward, more markedly at the extremes of the distribution (25th and 75th percentiles) than in the middle. The 2014 CBQ information shows that this pattern continues.

2 Notably, the construction and real estate services industry is under-represented in the CBQ sample for 2013, so the flow for this industry may change when the information from the CBA becomes available for that year.

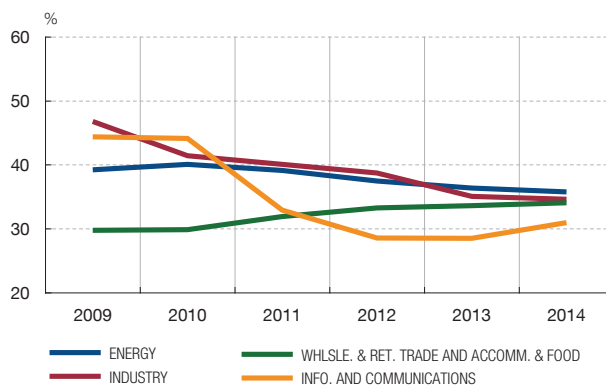
FINANCIAL POSITION RATIOS

CHART 3

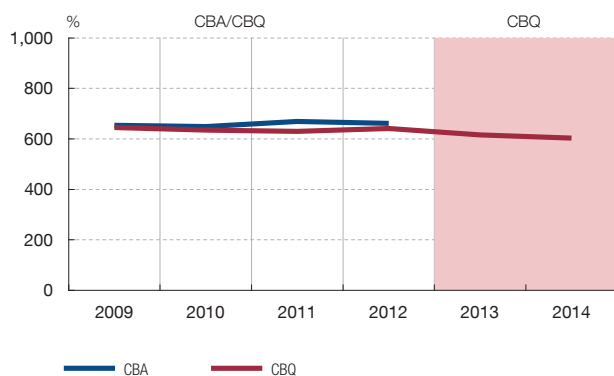
E1. INTEREST-BEARING BORROWING/NET ASSETS (a)
TOTAL CORPORATIONS



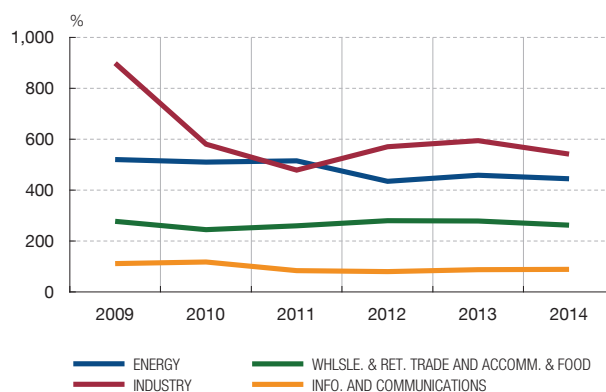
E1. INTEREST-BEARING BORROWING/NET ASSETS (a)
BREAKDOWN BY SECTOR. CBQ



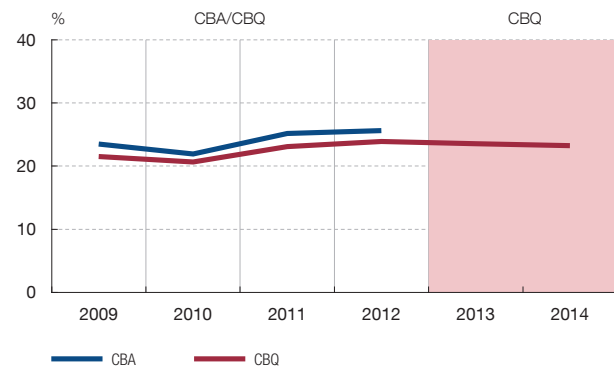
E2. INTEREST-BEARING BORROWING/(GOP+FR) (b)
TOTAL CORPORATIONS



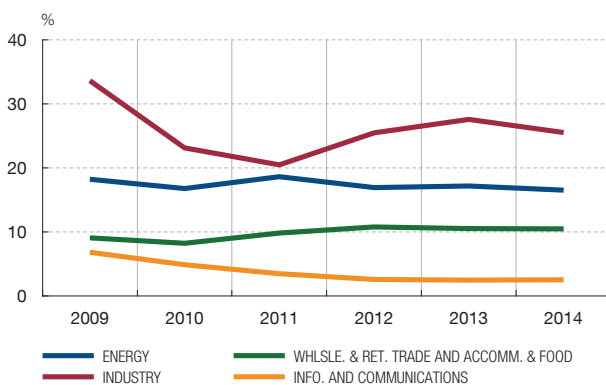
E2. INTEREST-BEARING BORROWING/(GOP+FR) (b)
BREAKDOWN BY SECTOR. CBQ



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



INTEREST BURDEN
BREAKDOWN BY SECTOR. CBQ
(Interest on borrowed funds)/(GOP+FR)



SOURCE: Banco de España.

- a Ratio calculated from final balance sheet figures. Net assets include an adjustment to current prices.
- b Ratio calculated from final balance sheet figures. Interest-bearing borrowing includes an adjustment to eliminate intra-group debt (approximation of consolidated debt).

ANALYSIS OF DEVELOPMENTS IN FINANCIAL COSTS
Percentages

TABLE 6

	CBA		CBQ (a)	
	2012/2011	2013 Q1-Q4/ 2012 Q1-Q4	2014 Q1/ 2013 Q1	
Change in financial costs	-1.1	-4.5	-2.7	
A Interest on borrowed funds	-2.0	-2.1	-4.0	
1 Due to the cost (interest rate)	1.5	1.4	-0.6	
2 Due to the amount of interest-bearing debt	-3.5	-3.5	-3.4	
B Other financial costs	0.9	-2.4	1.3	

SOURCE: Banco de España.

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

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

TABLE 7

	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	
	2012	2013 Q1-Q4 (a)	2013 Q1	2014 Q1	2012	2013 Q1-Q4 (a)	2013 Q1	2014 Q1	2012	2013 Q1-Q4 (a)	2013 Q1	2014 Q1	2012	2013 Q1-Q4 (a)	2013 Q1	2014 Q1
Total	-6.5	-6.4	-11.6	4.1	-17.0	4.5	-16.4	1.7	5.2	6.8	3.5	3.6	1.4	3.3	0.0	0.1
Size																
Small	-19.3	—	—	—	-42.4	—	—	—	2.2	—	—	—	-1.7	—	—	—
Medium	-7.2	-5.7	-19.9	7.2	-7.1	-2.5	-28.3	11.4	4.8	5.2	4.1	5.1	1.1	2.4	1.4	2.4
Large	-6.3	-6.4	-11.3	4.0	-17.4	4.7	-16.0	1.4	5.2	6.8	3.4	3.5	1.5	3.3	0.0	0.1
Breakdown of activities																
Energy	1.5	-12.3	-10.8	0.9	11.4	-14.1	-25.4	-1.8	6.4	6.3	4.2	4.0	2.7	2.7	0.4	0.5
Industry	-10.2	-7.1	-6.5	17.8	-14.1	17.1	-35.3	108.9	5.7	3.9	2.7	4.4	1.9	-0.5	-1.7	1.3
Wholesale & retail trade & accommodation and food service activities	-12.5	4.8	-25.6	34.3	-21.5	8.1	-30.4	24.0	6.6	10.5	7.7	9.0	2.7	6.6	3.5	4.3
Information and communications	-10.9	-5.3	-3.4	-7.2	-17.7	0.5	3.6	-10.1	16.1	21.7	19.9	15.3	11.8	19.3	17.7	11.1
Other activities	-3.1	-2.6	-13.5	2.6	-59.0	63.0	41.6	—	3.8	6.1	1.7	1.9	0.0	0.1	-1.6	-1.4

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)	
		2013 Q1	2014 Q1	2013 Q1	2014 Q1
Number of corporations		868	753	868	753
Percentage of corporations by profitability bracket	R ≤ 0%	34.8	32.0	39.4	36.9
	0% < R ≤ 5%	27.6	26.7	18.8	18.1
	5% < R ≤ 10%	13.2	12.7	10.8	10.1
	10% < R ≤ 15%	6.1	7.4	6.8	6.8
	15% < R	18.2	21.1	24.2	28.2
Memorandum item: average return		3.5	3.6	3.5	3.7

SOURCE: Banco de España.

was virtually unchanged from the preceding year. The overall change in profitability was also accompanied by a shift in the distribution towards higher rates of return (over 10%) (see Table 8). As a result of the slight rise in the aggregate return on investment and the small decline in the cost of debt the difference between these two indicators increased, from almost zero a year earlier to a positive but small spread of 0.1%.

Lastly, the amount of extraordinary costs and revenue was small in 2014 Q1, in contrast to a year earlier, when large losses were recorded, linked to the disposal of financial assets and, to a lesser extent, to exchange losses on foreign currency transactions and severance payments associated with staff reductions at some large firms. As a result of all this, net profit increased in 2014 Q1 by 49.3%, year-on-year. As a percentage of GVA, net profit rose to 17.7%, well above the 12.1% level recorded a year earlier by the same firms.

12.6.2014

