

RESULTS OF NON-FINANCIAL CORPORATIONS TO 2014 Q2

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Overview¹

The information compiled by the Central Balance Sheet Data Office Quarterly Survey (CBQ) indicates a recovery in business activity in the first half of 2014 which extended the expansionary trend seen in the first three months of the year. Between January and June, the gross value added (GVA) of the total CBQ sample increased by 2.3% in year-on-year terms, compared with a decrease of 3.5% a year earlier.

Personnel costs were practically unchanged, while they fell by 1.9% in the same period of the previous year. This was due to a moderation in job losses, which amounted to 1% in the half as a whole (against a drop of 2.1% a year earlier), and stronger growth in average compensation, which grew by 0.9% (0.2% in the same period of 2013).

Gross operating profit (GOP) increased by 4.7%, in contrast to the decline of 5% in the same half of the previous year. Financial revenue decreased by 3.3% due to the negative influence exerted by the fall in dividends received. Financial costs also fell, albeit very slightly (by 0.4%), as a consequence of the decrease, in year-on-year terms, in corporate debt, offset partially by a slight increase in non-interest costs and in the average cost of debt.

The decrease in liabilities in 2014 to date gave rise to slight declines in the debt ratios E1 (interest-bearing debt/net assets) and E2 (ratio of debt to the sum of gross operating profit and financial revenue), the latter also being influenced by the favourable course of ordinary profit. The interest burden ratio also decreased moderately, owing to the fall in financial costs and the rise in ordinary profit, which forms the denominator of this indicator.

Ordinary net profit (ONP) grew by 7.7%, whereas in the same period of the previous year it contracted by 12.6%. The increase in ordinary profit brought an improvement in profitability levels, in terms of both the ratio relative to net assets, which stood at 4.2%, up 0.4 percentage points (pp) on the first half of 2013, and that relative to equity, up 0.7 pp to 4.8%. This favourable performance was apparent in practically all sectors of activity, with increases in the return on investment ranging from 0.5 pp to 1 pp. Meanwhile, the ratio that measures the average cost of debt remained at 3.5%, so that the difference between the return on investment and this indicator grew further, in this case by 0.3 pp, to stand at 0.7%.

Finally, extraordinary gains (losses) had a highly positive effect on profits for the half, basically because of substantial gains on disposals of investments and significant increases in financial asset valuations, in contrast to the considerable losses recorded in the first half of 2013 due to impairment of assets of this type. As a result, business profits increased significantly, albeit from a historically low level.

In short, the recovery of business activity and the adjustments in balance sheets are giving rise to an improvement in the economic and financial situation of the CBQ sample firms as

¹ This article is based on the data supplied up to 10 September by 774 firms reporting to the Central Balance Sheet Data Office. In terms of GVA, this sample accounts for 14.2% of the whole of the non-financial corporations sector.

a whole. Moreover, the analysis of microdata shows that the improvement in aggregate indicators from mid-2013 is fairly widespread across the sample and seems to be more marked in firms in a comparatively less favourable position (see Box 1).

Activity

In the first half of 2014 the GVA of the corporations reporting to the CBQ increased by 2.3% (see Table 1 and Chart 1), thus extending the expansionary course apparent in the first three months of this year. This figure contrasts with the performance of this variable in the same period a year earlier, when it decreased by 3.5%. The improvement in activity took place against a backdrop of progressive recovery in domestic demand and a steady positive contribution from external activity. Thus, in the firms that make up the CBQ sample, domestic sales grew by 0.6%, compared with a fall of 6.1% a year earlier, and the relative importance of exports continued to rise, reaching 22.1% of their turnover (nearly 1 pp more than the 2013 figure) (see Table 2).

The sectoral breakdown shows that the increase in GVA was fairly widespread, with rises in almost all sectors of activity (see Table 3). The only exception was the information and communication sector, where the 6.6% fall in GVA exceeded even the 3.3% decline in the first half of 2013. In the wholesale and retail trade and accommodation and food service activities sector, GVA grew by 8.1%, in sharp contrast to the 4.3% fall in the same period of the previous year. In industry the increase was 2.4%, as against a decline of 1.3% a year earlier. Analysis of developments in the various industrial sub-sectors reveals a notable dispersion. While some, such as the manufacture of computer, electronic and optical products or the manufacture of transport equipment, posted sharp increases in this item (up 18.6% and 7.5%, respectively), others, such as other manufacturing or the manufacture of mineral and metal products, saw this surplus shrink (by 16.7% and 2.1%, respectively). In the energy sector, GVA increased by 6%, whereas in the first half of 2013 it had fallen by 5.9%. This rise was prompted by the recovery in the electricity, gas and water supply sub-sector, where GVA rose by 5.5%, having fallen by 5% a year earlier. Also contributing to this positive trend was the oil refining sub-sector, where GVA increased by 23.4% (a year earlier it had contracted by 34.8%). Finally, in the group that covers other activities, GVA increased by 1.7%, compared with a decline of 1.8% in 2013, the strongest performance being that of the transport sector.

Chart 2 shows that GVA was more buoyant in every quartile of the distribution, with significant increases in growth rates relative to the levels in the first half of 2013. This suggests that the improvement in activity encompassed most of the firms in this sample, although a high degree of heterogeneity persists in 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 were practically unchanged in the first half of 2014, as compared with a 1.9% fall in the same period a year earlier. This was the result of a decline of 1% in average employment and an increase of 0.9% in average compensation.

The rate of job destruction in the CBQ sample firms continued to decrease, both with respect to the same period of 2013 (2.1%) and in comparison with the whole of the previous year (1.9%). Regarding this statistic, it should be kept in mind that the sample is weighted towards large firms, some of which are adjusting their staffing levels, so this behaviour is not incompatible with the recovery of employment in the economy as a whole. By type of contract, the 1.3% growth in temporary employment (see Table 4) was notable. By contrast, the number of workers with permanent contracts, affected precisely by staff

As noted in the main text of this article, the latest CBQ information identifies an improvement in the profitability and financial position indicators of the sample firms as a whole. This Box analyses the microdata to detect how widespread this improvement is and whether it affects any particular types of firms more strongly than others.

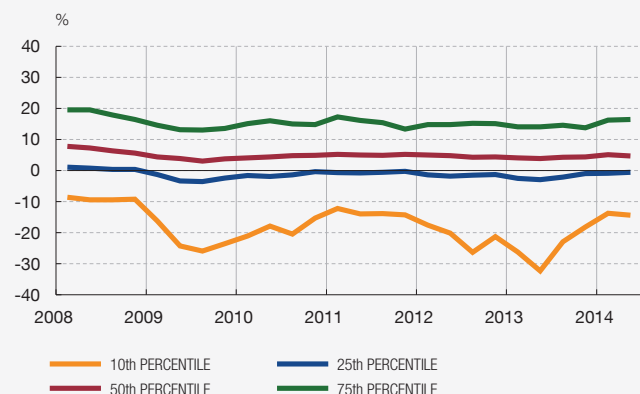
The accompanying charts show the various percentiles of the statistical distribution of four indicators of the profitability and financial position of firms, based on CBQ data for the period from the start of 2008 to mid-2014. The analysis of return on equity in Panel 1 reveals that the recovery in this ratio in recent quarters is detected across the whole of the distribution, although the increase is more marked for the firms at the bottom (i.e. those which are less profitable), which show negative returns during

the whole of the period analysed. Thus the 10th percentile of the distribution of this variable increased by 18.6 pp from mid-2013, whereas the median (which indicates the profitability of a representative firm) increased by 1 pp. In this same vein, Panel 2 shows how the ratio which measures the share of income used to make debt interest payments tended to decrease in this same period across the whole of the distribution. Although rising slightly in 2014 Q2, the 75th percentile showed the sharpest decrease, reflecting a larger fall for firms with a heavier debt burden. These firms, which are ones with the highest debt levels, seem to be benefitting most from the lower interest rates in the recent period.

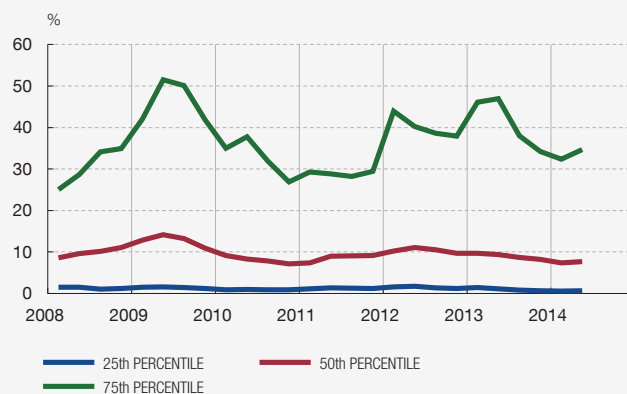
The ratio of interest-bearing debt to net assets (ratio E1) has decreased slightly in recent quarters across the whole of the

DISTRIBUTION OF PROFITABILITY AND FINANCIAL POSITION INDICATORS (a)

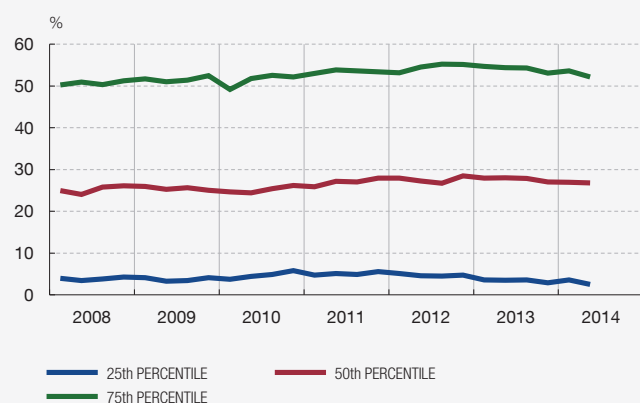
1 RETURN ON EQUITY (b)



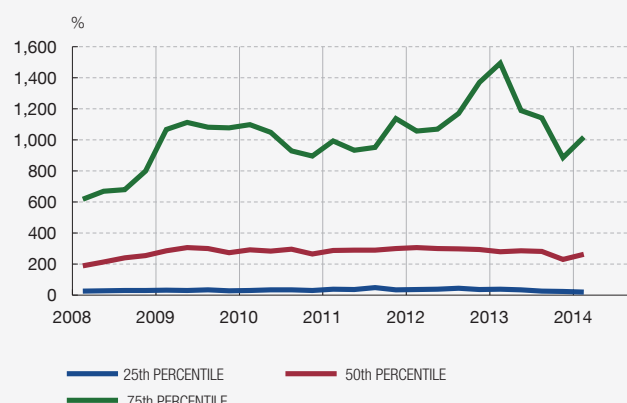
2 DEBT BURDEN (c)



3 DEBT RATIO E1 (d)



4 DEBT RATIO E2 (e)



SOURCE: Banco de España.

- a Variables drawn from the income statement (ONP, GOP, interest on borrowed funds and financial revenue) have been calculated by accumulating the flows of four quarters.
- b Return on equity is calculated as ONP / Average equity.
- c Debt burden is calculated as Interest on borrowed funds / (GOP + Financial revenue).
- d Debt ratio E1 is calculated as Interest-bearing borrowing / Net assets.
- e Debt ratio E2 is calculated as Interest-bearing borrowing / (GOP + Financial revenue).

distribution, and no notable differences in the behaviour of the various percentiles were discernible in this case (see Panel 3). By contrast, the debt ratio E2, shown in Panel 4, which approximates the ability to repay debt from income received, has decreased particularly sharply from mid-2013 for the 25% most highly indebted firms (despite the slight rise in 2014 Q2). The different behaviour of the two measures of indebtedness is due to the greater stability of balance sheet items (particularly firms' total assets) compared with income (the denominator of ratio E2), which shows more marked cyclical behaviour.

The sectoral analysis identifies wholesale and retail trade and, to a lesser extent, industry as the sectors in which firms in a less

favourable financial position are posting a clearer improvement than firms in a sounder financial position. Also, the information and communication sector stands out from the others insofar as it is where the 75th percentile of the distribution of debt ratio E1 has decreased most significantly in recent quarters.

In short, the analysis of CBQ microdata reveals that the improvement in firms' aggregate economic and financial indicators from mid-2013 is widespread, but more marked for those firms which are in a less favourable position (i.e. those with higher debt and debt burden and lower profitability). Hence the dispersion of firms' financial position indicators has decreased, although it continues to be higher than before the crisis.

cuts at some of the aforementioned large firms, continued to decline, the fall of 1.4% being slightly higher than in the same period a year earlier (1.1%). Table 5 shows that in the first half of this year, 52% of firms destroyed jobs, nearly 1.5 pp less than the percentage recorded a year earlier. The sectoral breakdown reveals that in almost all areas the average number of workers continued to fall year-on-year. In some cases, such as in energy and in wholesale & retail trade & accommodation & food service activities, the falls (of 3.4% and 1.6%, respectively) were somewhat sharper than in 2013. Contrastingly, in industry and in information and communication, although falls were recorded (0.3% and 2.9%, respectively), they were more moderate than in the previous year. Finally, the residual sector of other activities was the most expansionary, with a 0.3% increase in the average number of workers, which mainly stemmed from the positive evolution of the other services sub-sector.

Average compensation grew by 0.7 pp more than in the first half of the previous year (0.2%). The sectoral breakdown shows that average wages in energy and in wholesale & retail trade & accommodation & food service activities rose at above-average rates (2.4% and 3.7%, respectively), influenced by the increase in the variable component of such remuneration. By contrast, in industry and in information and communication, personnel costs per worker held on a more moderate growth rate (around 0.5%). Finally, the residual sector of other activities showed a mild decline in average personnel costs (down 0.6%).

Profits, rates of return and debt

The pattern of expansion shown by GVA passed through to GOP, which grew by 4.7% up to June, compared with a decrease of 5% in the same period of the previous year. As in the case of GVA, the improvement was broadly based at the sector level, with the exception of information and communication, in which GOP shrank by 8.6%. Notable among the other sectors were wholesale & retail trade & accommodation & food service activities, in which this surplus increased most strongly (by 20.7%).

The decline of 3.3% in financial revenue was practically half that in the previous year (6.1%). This was a result of the smaller dividend receipts, which were down by 10.1%, partially offset by an increase in interest revenue (13.8%).

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	2013 Q1-Q4/ 2012 Q1-Q4	2013 Q1-Q2/ 2012 Q1-Q2	2014 Q1-Q2/ 2013 Q1-Q2
Number of corporations		10,066	8,454	830	860	774
Total national coverage (% of GVA)		31.5	28.8	12.9	13.2	14.2
PROFIT AND LOSS ACCOUNT:						
1 VALUE OF OUTPUT (including subsidies)	100.0	3.7	-1.2	-3.1	-3.2	-1.5
<i>Of which:</i>						
<i>Net amount of turnover and other operating income</i>	145.8	3.7	-0.3	-3.4	-4.3	0.1
2 INPUTS (including taxes)	68.9	6.3	0.2	-2.6	-3.1	-3.1
<i>Of which:</i>						
<i>Net purchases</i>	92.6	5.4	-0.3	-6.6	-5.1	1.7
<i>Other operating costs</i>	22.9	0.5	0.6	1.7	-1.0	-3.7
S.1 GROSS VALUE ADDED AT FACTOR COST [1 – 2]	31.1	-1.3	-4.1	-4.3	-3.5	2.3
3 Personnel costs	18.7	0.6	-2.4	-1.7	-1.9	0.0
S.2 GROSS OPERATING PROFIT [S.1 – 3]	12.4	-4.0	-6.5	-6.6	-5.0	4.7
4 Financial revenue	5.5	6.1	3.0	16.7	-6.1	-3.3
5 Financial costs	4.6	12.1	-1.1	-4.6	-4.9	-0.4
6 Depreciation, impairment and operating provisions	7.1	0.8	9.3	-1.6	3.8	0.0
S.3 ORDINARY NET PROFIT [S.2 + 4 – 5 – 6]	6.2	-10.7	-17.0	3.8	-12.6	7.7
7 Gains (losses) from disposals and impairment (b)	-5.3	-86.1	–	23.7	5.8	–
7' As a percentage of GVA (7/S.1)		-2.2	-16.9	-16.0	-8.9	5.6
8 Changes in fair value and other gains (losses) (b)	-1.7	-60.0	-32.3	41.6	95.2	–
8' As a percentage of GVA (8/S.1)		-4.2	-5.5	-3.6	-0.4	-0.9
9 Corporate income tax	0.2	-53.9	-73.2	–	46.6	51.0
S.4 NET PROFIT [S.3 + 7 + 8 – 9]	-1.0	-21.0	–	115.6	50.0	119.1
S.4' As a percentage of GVA (S.4/S.1)		13.3	-3.1	13.0	14.1	25.5
PROFIT RATIOS						
	Formulas (b)					
R.1 Return on investment (before taxes)	(S.3 + 5.1) / NA	5.4	5.2	6.0	3.8	4.2
R.2 Interest on borrowed funds/ interest-bearing borrowing	5.1 / IBB	3.7	3.7	3.5	3.5	3.5
R.3 Ordinary return on equity (before taxes)	S.3 / E	7.0	6.5	8.2	4.1	4.8
R.4 ROI – cost of debt (R.1 – R.2)	R.1 – R.2	1.7	1.4	2.5	0.4	0.7

SOURCE: Banco de España.

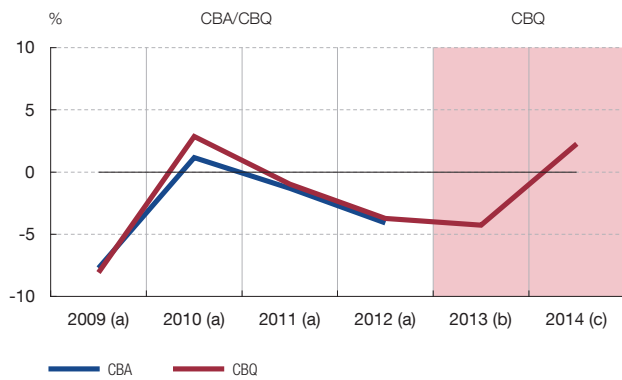
NOTE: In calculating rates, internal accounting movements have been edited out of items 4, 5, 7 and 8.

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

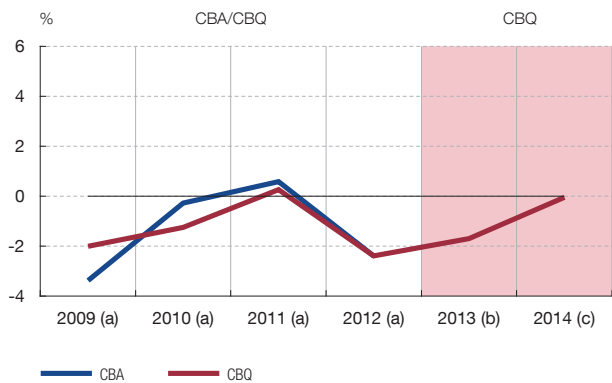
b NA = Net assets (net of non-interest-bearing borrowing); E = Equity; IBB = Interest-bearing borrowing; NA = E + IBB. The financial costs in the numerators of ratios R.1 and R.2 only include the portion of financial costs that is interest on borrowed funds (5.1) and not other financial costs (5.2).

The first half of 2014 saw a further decrease in corporate debt, continuing the trend prevailing throughout 2013. In line with these developments, there were falls in both the E1 ratio (interest-bearing debt as a proportion of net assets), which at 46.5% was down 0.5 pp from December 2013, and the E2 ratio (debt to ordinary profit), the latter also influenced by the favourable course of profits (the denominator of this indicator). The sectoral breakdown shows that the fall in these ratios affected nearly all sectors of activity, with information and communication being the only one to show slight growth or no change in the first six months of 2014 (see Chart 3).

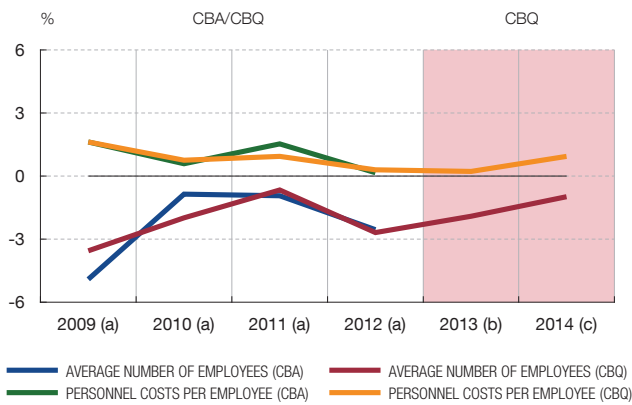
GROSS VALUE ADDED AT FACTOR COST
Rate of change



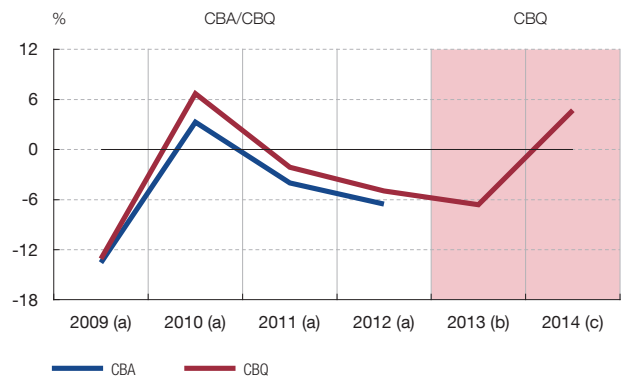
PERSONNEL COSTS
Rate of change



EMPLOYMENT AND WAGES
Rate of change



GROSS OPERATING PROFIT
Rate of change



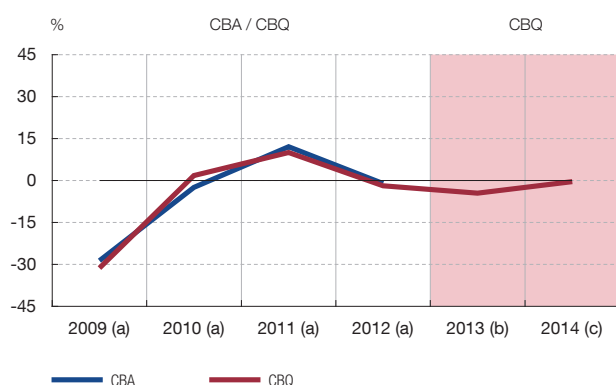
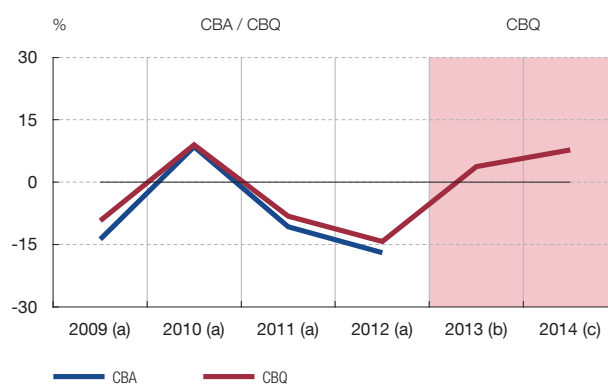
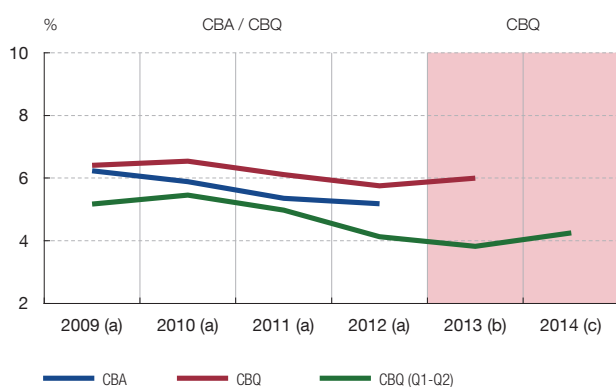
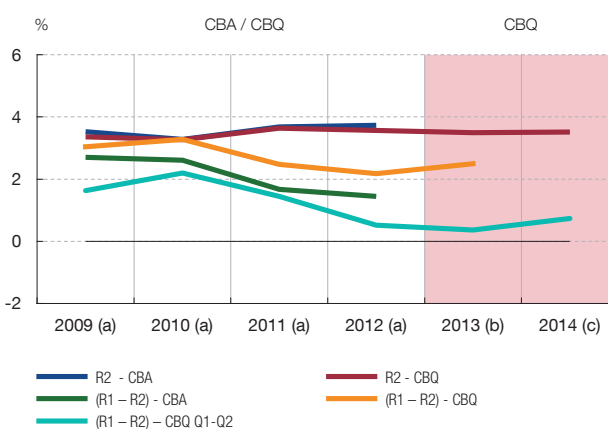
Reporting non-financial corporations		2009	2010	2011	2012	2013	2014
Number of corporations	CBA	9,870	10,135	10,066	8,454	—	—
	CBQ	795	804	817	837	830	774
% of GVA of the sector non-financial corporations	CBA	31.0	31.7	31.5	28.8	—	—
	CBQ	12.5	13.0	13.3	13.3	12.9	14.2

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-Q2 relative to the same period in 2013.

The downward trend in debt contributed to the decline in financial costs, although its effect was partly offset by the slight increase in the average cost of debt and in non-interest expenses (see Table 6). The decrease of 0.4% in financial costs, along with the favourable course of ordinary profit, prompted a further reduction in the debt burden ratio, which dropped to 22.5% with respect to GOP, and in financial revenues (down 0.6 pp from 2013).

Depreciation, impairment and operating provisions were practically unchanged, as compared with an increase of 3.8% a year earlier, when this item was affected by the impact of the account revaluation law.

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

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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-Q2. In the case of the rates, the calculation is made relative to the same period in 2013.

The developments in operating activities, along with the course of financial costs and revenues and of depreciation, led ordinary net profit to rise by 7.7% in the first half of 2014, compared with a decrease of 12.6% in the same period of the previous year. The growth in ordinary profit brought an increase in profitability levels. Thus the ratio that approximates the return on investment stood at 4.2%, against 3.8% in the same period of 2013, and the ratio that approximates the return on equity rose to 4.8%, up 0.7 pp on a year earlier. These indicators increased in all sectors except information and communication, the only one in which the return on investment decreased, moving down to 15.7%, compared with 20.7% in the previous year (see Table 7). Industry was where this indicator rose most

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

TABLE 2

		CBA		CBQ (a)	
		2012	2013 Q1-Q4	2013 Q1-Q2	2014 Q1-Q2
Total corporations		8,454	830	774	774
Corporations reporting source/destination		8,454	770	724	724
Percentage of net purchases according to source	Spain	64.9	79.0	77.5	75.1
	Total abroad	35.1	21.0	22.5	24.9
	EU countries	15.0	17.2	17.2	19.8
	Third countries	20.0	3.8	5.3	5.1
Percentage of net turnover according to destination	Spain	80.3	81.1	78.7	77.9
	Total abroad	19.7	18.9	21.3	22.1
	EU countries	12.4	13.7	15.3	16.5
	Third countries	7.3	5.1	6.0	5.6
Change in net external demand (exports less imports), rate of change	Industry	19.4	8.4	8.8	6.9
	Other corporations	0.5	34.6	67.4	-36.4

SOURCE: Banco de España.

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

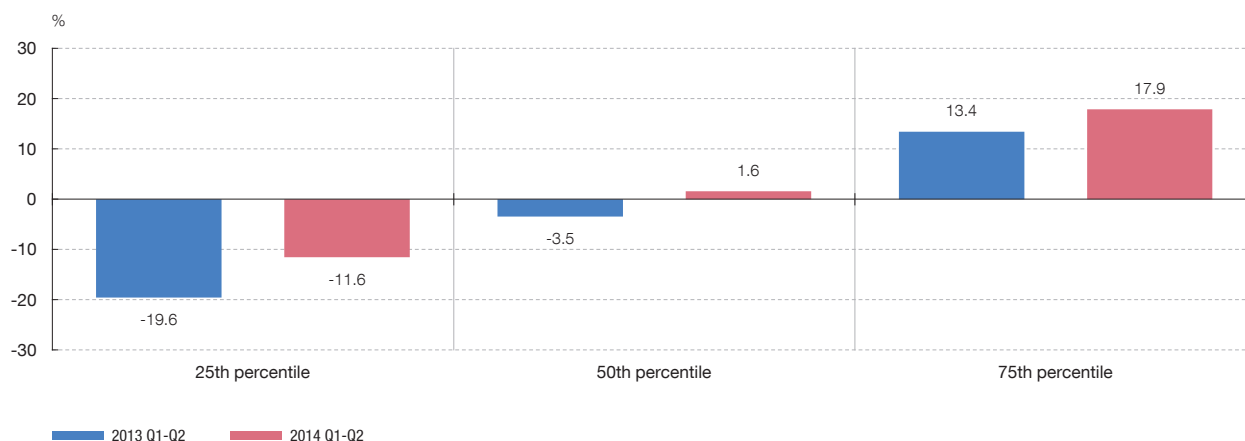
**VALUE ADDED, EMPLOYEES, PERSONNEL COSTS AND COMPENSATION PER EMPLOYEE.
BREAKDOWN BY SIZE AND MAIN ACTIVITY OF CORPORATIONS**
Growth rate of the same corporations on the same period a year earlier, percentages

TABLE 3

	Gross value added at factor cost				Employees (average for period)				Personnel costs				Personnel costs per employee			
	CBA		CBQ (a)		CBA		CBQ (a)		CBA		CBQ (a)		CBA		CBQ (a)	
	2012	2013 Q1-Q4	2013 Q1-Q2	2014 Q1-Q2	2012	2013 Q1-Q4	2013 Q1-Q2	2014 Q1-Q2	2012	2013 Q1-Q4	2013 Q1-Q2	2014 Q1-Q2	2012	2013 Q1-Q4	2013 Q1-Q2	2014 Q1-Q2
Total	-4.1	-4.3	-3.5	2.3	-2.5	-1.9	-2.1	-1.0	-2.4	-1.7	-1.9	0.0	0.2	0.2	0.2	0.9
Size																
Small	-7.6	—	—	—	-5.2	—	—	—	-4.2	—	—	—	1.1	—	—	—
Medium	-4.2	-3.9	-7.5	-0.3	-3.3	-4.5	-4.5	-1.0	-2.8	-2.9	-4.0	0.0	0.5	1.6	0.5	1.0
Large	-4.0	-4.3	-3.3	2.3	-2.4	-1.8	-2.0	-1.0	-2.3	-1.6	-1.8	0.0	0.1	0.1	0.2	0.9
Breakdown of activities																
Energy	0.6	-9.3	-5.9	6.0	-3.3	-1.3	-2.2	-3.4	-1.3	0.2	0.4	-1.0	2.0	1.6	2.6	2.4
Industry	-4.8	-4.2	-1.3	2.4	-2.2	-2.3	-2.2	-0.3	-1.4	-1.3	-1.2	0.4	0.8	1.1	1.0	0.7
Wholesale & retail trade and accommodation & food service activities	-4.9	1.0	-4.3	8.1	-1.5	-1.3	-1.0	-1.6	-1.2	-1.5	-1.4	2.1	0.3	-0.2	-0.4	3.7
Information and communications	-7.0	-5.0	-3.3	-6.6	-2.5	-4.3	-4.6	-2.9	-0.8	-4.5	-4.8	-2.4	1.8	-0.3	-0.3	0.5
Other activities	-3.9	-2.1	-1.8	1.7	-3.3	-1.9	-2.4	0.3	-4.1	-1.8	-2.3	-0.3	-0.9	0.1	0.2	-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.

EMPLOYMENT

TABLE 4

	Total CBQ Corporations 2014 Q1-Q2	Corporations increasing (or not changing) staff levels	Corporations reducing staff levels
Number of corporations	774	371	403
Number of employees			
Initial situation 2013 Q1-Q2 (000s)	815	246	569
Rate 2014 Q1-Q2/ 2013 Q1-Q2	-1.0	7.7	-4.7
Permanent			
Initial situation 2013 Q1-Q2 (000s)	694	194	501
Rate 2014 Q1-Q2/ 2013 Q1-Q2	-1.4	5.4	-4.0
Non-permanent			
Initial situation 2013 Q1-Q2 (000s)	121	52	69
Rate 2014 Q1-Q2/ 2013 Q1-Q2	1.3	16.3	-10.0

SOURCE: Banco de España.

PERSONNEL COSTS AND EMPLOYEES
Percentage of corporations in specific situations

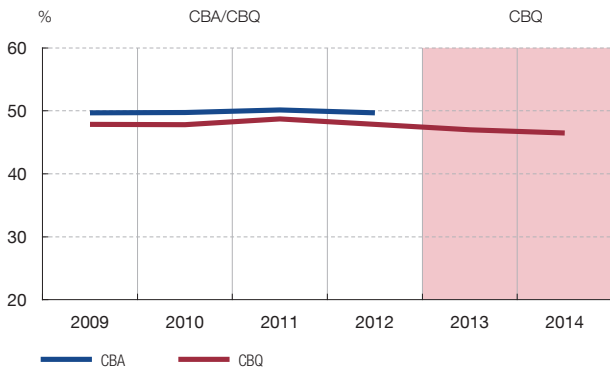
TABLE 5

	CBA		CBQ (a)			
	2011	2012	2012 Q1-Q4	2013 Q1-Q4	2013 Q1-Q2	2014 Q1-Q2
Number of corporations	10,066	8,454	837	830	860	774
Personnel costs	100	100	100	100	100	100
Falling	43.6	56.1	55.3	50.0	52.4	43.7
Constant or rising	56.4	43.9	44.7	50.0	47.6	56.3
Average number of employees	100	100	100	100	100	100
Falling	43.7	50.1	56.6	54.4	53.4	52.0
Constant or rising	56.3	49.9	43.4	45.6	46.6	48.0

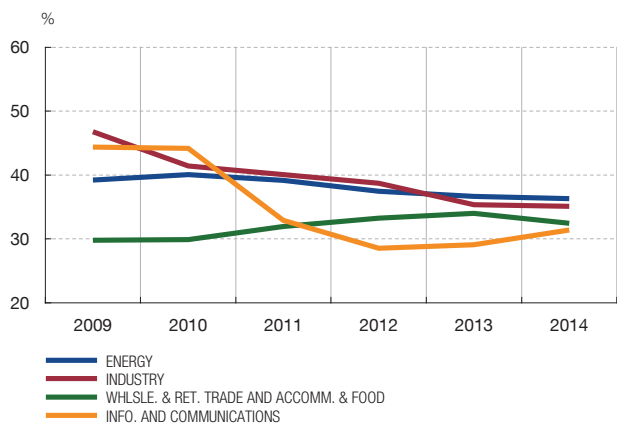
SOURCE: Banco de España.

a Weighted average of the relevant quarters for each column.

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



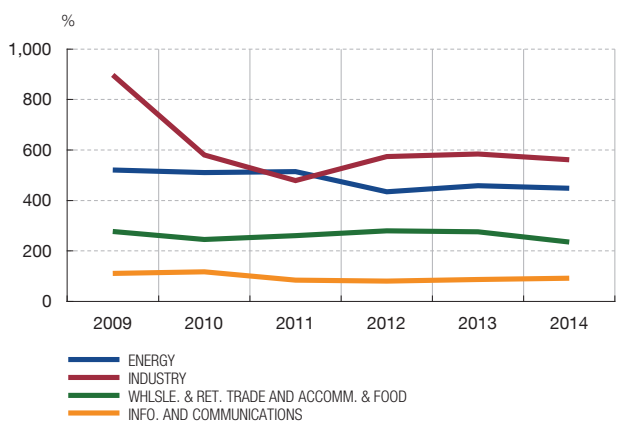
E1. INTEREST-BEARING BORROWING/NET ASSETS (a)
BREAKDOWN BY SECTOR. CBQ



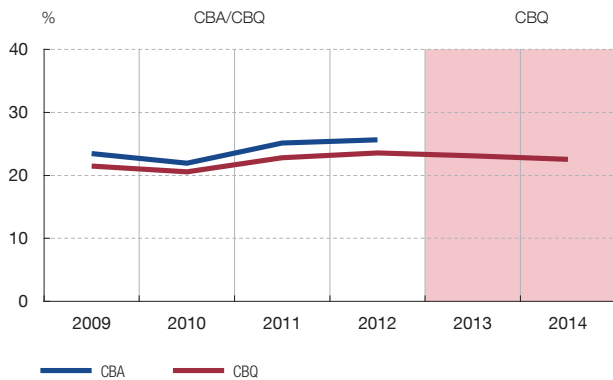
E2. INTEREST-BEARING BORROWING/(GOP+FR) (b)
TOTAL CORPORATIONS



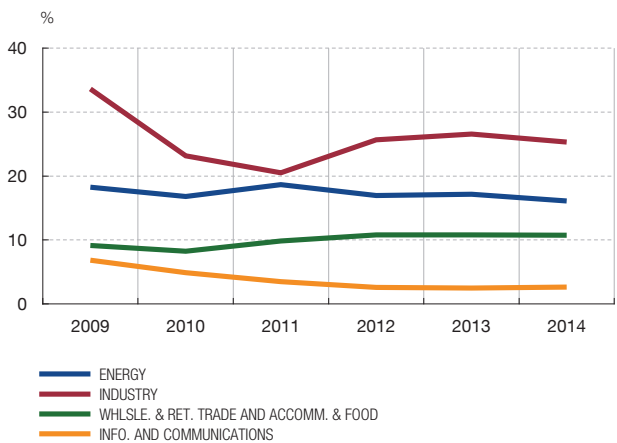
E2. INTEREST-BEARING BORROWING/(GOP+FR) (b)
BREAKDOWN BY SECTOR. CBQ



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	
	2012/2011	2013 Q1-Q4/ 2012 Q1-Q4	2014 Q1-Q2/ 2013 Q1-Q2
Change in financial costs	-1.1	-4.6	-0.4
A Interest on borrowed funds	-2.0	-2.4	-2.1
1 Due to the cost (interest rate)	1.5	1.2	1.2
2 Due to the amount of interest-bearing debt	-3.5	-3.6	-3.3
B Other financial costs	0.9	-2.2	1.7

SOURCE: Banco de España.

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 (a)		CBA		CBQ (a)		CBA		CBQ (a)		CBA		CBQ (a)	
	2012	2013 Q1 - Q4	2013 Q1 - Q2	2014 Q1 - Q2	2012	2013 Q1 - Q4	2013 Q1 - Q2	2014 Q1 - Q2	2012	2013 Q1 - Q4	2013 Q1 - Q2	2014 Q1 - Q2	2012	2013 Q1 - Q4	2013 Q1 - Q2	2014 Q1 - Q2
Total	-6.5	-6.6	-5.0	4.7	-17.0	3.8	-12.6	7.7	5.2	6.0	3.8	4.2	1.4	2.5	0.4	0.7
Size																
Small	-19.3	—	—	—	-42.4	—	—	—	2.2	—	—	—	-1.7	—	—	—
Medium	-7.2	-5.4	-12.8	-0.8	-7.1	-2.5	-7.7	-0.8	4.8	5.2	4.7	5.3	1.1	2.4	2.0	2.6
Large	-6.3	-6.7	-4.8	4.8	-17.4	3.9	-12.8	8.0	5.2	6.0	3.8	4.2	1.5	2.5	0.3	0.7
Breakdown of activities																
Energy	1.5	-12.4	-8.0	8.9	11.4	-14.1	-27.4	17.8	6.4	6.3	4.0	4.4	2.7	2.7	0.3	0.9
Industry	-10.2	-9.9	-1.6	6.7	-14.1	8.7	-21.7	1.9	5.7	4.0	3.7	4.7	1.9	-0.4	-0.7	1.5
Wholesale & retail trade and accommodation & food service activities	-12.5	5.0	-8.8	20.7	-21.5	8.1	-15.3	24.4	6.6	10.2	6.0	6.5	2.7	6.3	2.1	2.1
Information and communications	-10.9	-5.3	-2.5	-8.6	-17.7	0.4	0.4	-10.0	16.1	21.7	20.7	15.7	11.8	19.3	18.4	11.3
Other activities	-3.1	-2.9	-0.7	6.2	-59.0	61.3	36.1	11.7	3.8	4.7	2.5	3.1	0.0	1.3	-0.8	-0.3

SOURCE: Banco de España.

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

strongly (1 pp), moving up to 4.7%. In the other cases, the increases were around 0.5 pp. In line with this improvement in profitability, Table 8 shows that in the first six months of 2014 there was a decrease in the percentage of firms with negative returns. The increase in the average level of returns widened further the gap between this indicator and the average cost of debt, which held at 3.5%, standing at 0.7% for the sample as a whole, up 0.3 pp on the previous year.

		CBQ			
		Return on investment (R.1)		Ordinary return on equity (R.3)	
		2013 Q1-Q2	2014 Q1-Q2	2013 Q1-Q2	2014 Q1-Q2
Number of corporations		860	774	860	774
Percentage of corporations by profitability bracket	R ≤ 0%	32.8	29.8	37.6	35.3
	0% < R ≤ 5%	26.3	27.5	17.4	18.0
	5% < R ≤ 10%	14.0	14.5	11.2	11.4
	10% < R ≤ 15%	7.2	7.8	7.8	7.4
	15% < R	19.7	20.3	26.0	27.9
Memorandum item: Average return		3.8	4.2	4.1	4.8

SOURCE: Banco de España.

Finally, an analysis of extraordinary gains (losses) shows that in the first half of 2014 they exerted a strong positive influence on the growth of net profit. The main reason was that in the first part of this year significant gains and additions were recorded due to increases in the valuation of financial assets. This contrasted with what happened in the first half of 2013, when firms recorded high impairment losses on these assets. The result was that net profit to June grew by 119.1%, although this figure is strongly affected by the still-low starting level. Expressing this surplus as a percentage of GVA, the notable increase of 25.5% in the period analysed exceeded that recorded a year earlier (14.1%).

11.9.2014.