

RESULTS OF NON-FINANCIAL CORPORATIONS IN 2015 Q1

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

Overview¹

The information compiled by the firms reporting to the Central Balance Sheet Data Office's Quarterly Survey (CBQ) on the non-financial corporations sector reveals, in 2015 Q1, a continuation and strengthening of the recovery in productive activity observed throughout 2014. Thus, gross value added (GVA) increased by 2.3%, compared with growth of 0.3% a year earlier, against a background of greater momentum in domestic demand and a continuing positive effect of exports on turnover.

Personnel costs rose by 1.3% to March, compared with a decrease of 0.8% in 2014 Q1. This reversal was primarily the result of the favourable performance of employment, which grew by 1%, continuing on the positive course that first appeared in the CBQ sample in 2014 2H. Average compensation rose by 0.4%, maintaining a moderate line similar to that observed in recent years. As a result of the changes in GVA and personnel costs, gross operating profit (GOP) rose by 3.4%, above the increase of 1.5% recorded a year earlier. In turn, financial revenue grew by 10.8%, driven by higher dividend receipts, while financial costs fell by 8.2%, impacted by the decline in the average cost of borrowing, as corporate debt increased slightly.

Depreciation, impairment and operating provisions fell by 4%; this, along with the decline in financial costs and the increase in financial revenue, led to growth in ordinary net profit (ONP) of 23.6%, higher than the growth in GOP and compared with a virtually flat performance (0.4%) a year earlier. As a result of the increase in ordinary profit, the profit ratios rose: return on investment to 3.5% (0.2 pp higher than in 2014 Q1) and return on equity to 3.8%, compared with 3.3% a year earlier. Moreover, the average cost of borrowing fell by 0.4 pp to 3%, so the spread between the return on investment and this indicator was positive (0.4%), compared with a figure close to zero in 2014 Q1.

The external borrowing of the total sample, which had fallen in 2014, increased in the opening months of 2015. Thus, the E1 ratio (calculated as interest-bearing debt/net assets) rose slightly compared with the figures recorded at end-2014. This also explains the minor increase in the E2 ratio (debt to the sum of GOP plus financial revenue), as the increase in debt was slightly higher than the increase in ordinary profit. Conversely, the interest burden ratio fell moderately in the first quarter, owing to the decline in financial costs and the growth in operating revenue (the denominator of this indicator).

Lastly, extraordinary costs and revenue had a positive and significant impact on profit in 2015 Q1, as certain large revenues arose, mainly as a result of capital gains on disposals of financial assets. As a result, net profit was more than twice the figure recorded a year earlier.

Activity

In 2015 Q1 the expansionary course of the activity of the corporations reporting to the CBQ intensified, in terms of GVA, which increased by 2.3% compared with growth of 0.3% a year

¹ This article is based on the quarterly information provided to the Central Balance Sheet Data Office by 825 reporting corporations up to 10 June. In terms of GVA, the sample accounts for 14.1% of the non-financial corporations sector.

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

TABLE 1

DATABASES	CBI Structure	CBI		CBQ		
	2013	2012	2013	2014 Q1-Q4/ 2013 Q1-Q4 (a)	2014 Q1/ 2013 Q1	2015 Q1/ 2014 Q1
Number of corporations		622,919	546,040	846	898	825
Total national coverage (% of GVA)		45.1	40.2	13.2	14.5	14.1
PROFIT AND LOSS ACCOUNT:						
1 VALUE OF OUTPUT (including subsidiaries)	100.0	-3.0	-2.3	-0.6	-4.2	-1.0
<i>Of which:</i>						
<i>Net turnover and other operating income</i>	147.1	-2.1	-2.1	2.0	-2.0	0.0
2 INPUTS (including taxes)	66.1	-2.0	-2.1	-1.0	-6.1	-2.4
<i>Of which:</i>						
<i>Net purchases</i>	42.5	-1.9	-3.7	0.4	-6.0	-7.8
<i>Other operating costs</i>	23.3	-1.8	-0.5	-1.4	-1.9	5.6
S.1 GROSS VALUE ADDED AT FACTOR COST [1 – 2]	33.9	-5.0	-2.8	0.3	0.3	2.3
3 Personnel costs	23.0	-2.9	-2.1	0.8	-0.8	1.3
S.2 GROSS OPERATING PROFIT [S.1 – 3]	10.9	-9.3	-4.3	-0.2	1.5	3.4
4 Financial revenue	4.8	-2.1	7.8	-21.5	-9.2	10.8
5 Financial costs	3.9	-1.0	-5.1	-5.9	-3.6	-8.2
6 Depreciation, impairment and operating provisions	6.2	6.2	-5.3	-1.7	1.3	-4.0
S.3 ORDINARY NET PROFIT [S.2 + 4 – 5 – 6]	5.5	-28.1	8.2	-11.8	0.4	23.6
7 Gains (losses) from disposals and impairment	-3.2	—	24.8	93.7	-3.5	—
7' As a percentage of GVA (7 / S.1)		-12.2	-9.4	-0.9	-5.0	14.7
8 Changes in fair value and other gains (losses)	-0.6	-73.9	49.0	—	85.2	—
8' As a percentage of GVA (8 / S.1)		-4.4	-1.7	0.2	-0.5	-0.5
9 Corporate income tax	0.5	-61.1	78.3	—	-34.1	—
S.4 NET PROFIT [S.3 + 7 + 8 – 9]	1.2	—	—	138.8	45.4	132.5
S.4' As a percentage of GVA (S.4 / S.1)		-5.7	3.7	27.1	11.7	30.2
PROFIT RATIOS						
	Formulas (b)					
R.1 Return on investment (before taxes)	(S.3 + 5.1) / NA	4.0	4.1	5.3	3.3	3.5
R.2 Interest on borrowed funds / interest-bearing borrowing	5.1 / IBB	3.9	3.7	3.4	3.4	3.0
R.3 Return on equity (before taxes)	S.3 / E	4.1	4.3	6.8	3.3	3.8
R.4 ROI – Cost of debt (R.1 – R.2)	R.1 – R.2	0.1	0.4	1.9	-0.1	0.4

SOURCE: Banco de España.

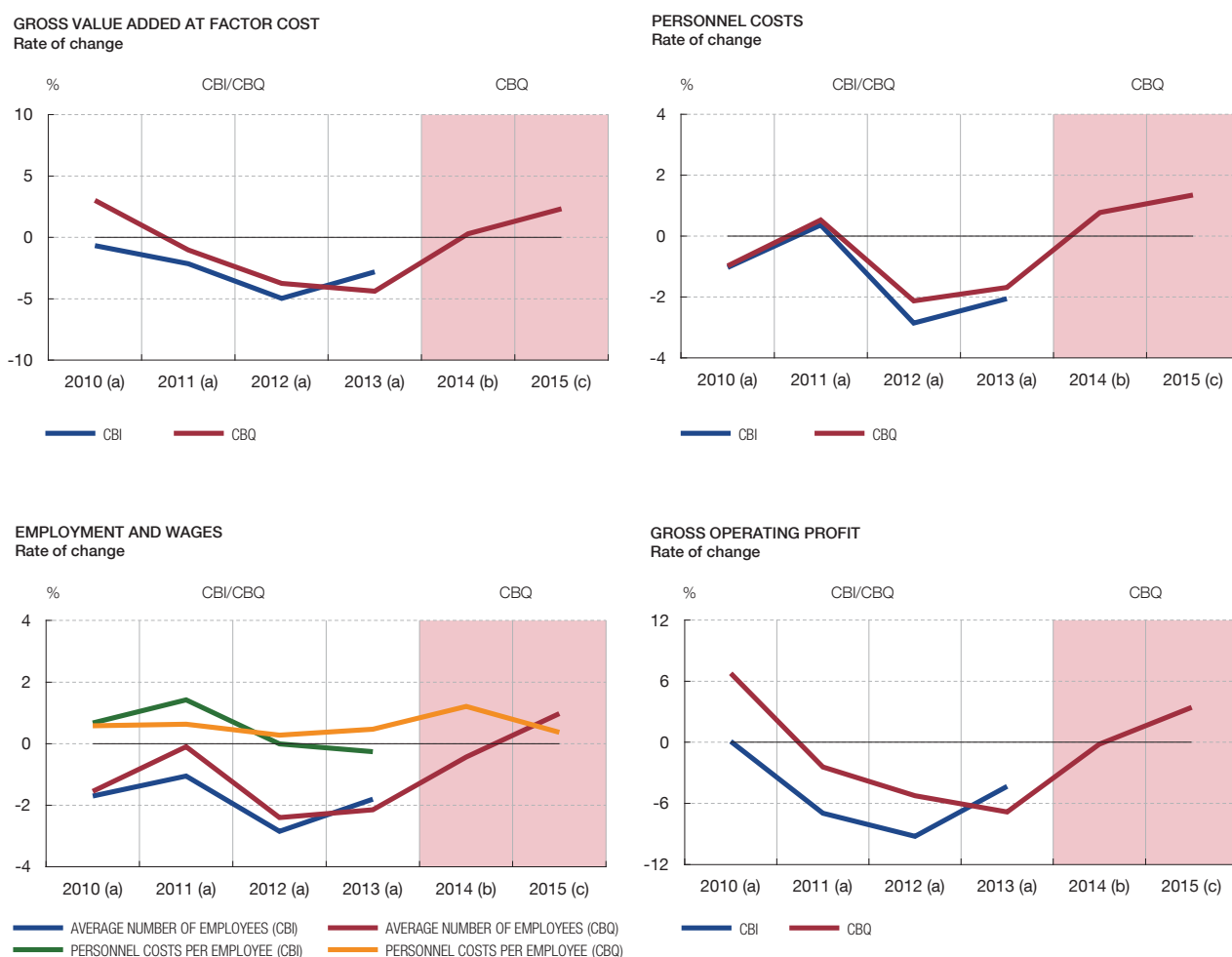
NOTE: In calculating rates, internal accounting movements have been edited out of items 4, 5, 7 and 8.

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).

earlier (see Table 1 and Chart 1). This took place against a backdrop of gradual recovery in domestic demand and continued buoyancy of exports. The breakdown of turnover by destination shows how exports continued to grow at a strong pace (9.8%). However, domestic sales also rose sharply (8.4%) in the period, compared with a decline of 2.3% a year earlier, allowing them to continue to account for some 80% of turnover (see Table 2).

The sectoral breakdown shows uneven growth in GVA (see Table 3). The highest increase was in industry (25.1%), driven by strong growth at oil refining corporations. However, a



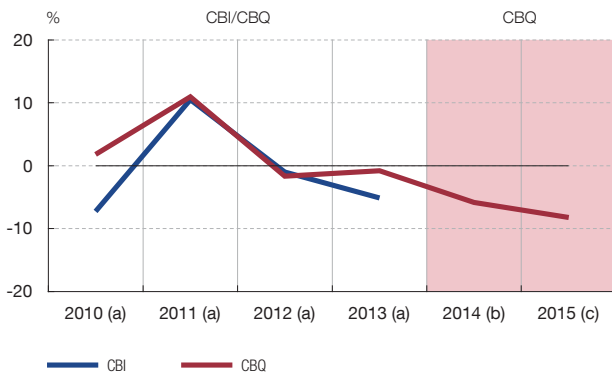
Reporting non-financial corporations		2010	2011	2012	2013	2014	2015
Number of corporations	CBI	560,627	594,687	622,919	546,040	—	—
	CBQ	799	813	834	836	846	825
Percentage of GVA of sector non-financial corporations	CBI	42.4	44.7	45.1	40.2	—	—
	CBQ	11.4	12.1	12.2	11.7	13.2	14.1

SOURCE: Banco de España.

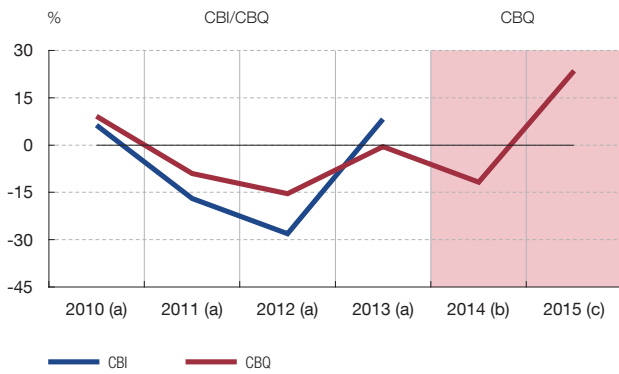
- a The 2010, 2011, 2012 and 2013 data for the corporations reporting to the CBI, and the average data of the four quarters of each year in relation to the previous year (CBQ).
b Average of the four quarters of 2014 relative to the same period of 2013.
c 2015 Q1 data relative to 2014 Q1.

positive performance was also observed in almost all the industrial subsectors, especially in the manufacture of mineral and metal products and the manufacture of transport equipment, which grew by 12.8% and 13.5%, respectively. In wholesale and retail trade and accommodation and food service activities the increase was also considerable (4.8%), albeit somewhat more moderate than a year earlier, on the back of the growth in private consumption. On the downside the energy sector stands out, with a decline of 9.2%. GVA also fell in information and communications, by 5.5%, although this is a more contained decline than that recorded in the same period of 2014. Lastly, in the group that covers all other activities GVA rose by 3.1% compared with 0.4% in 2014, with the firms of the other services subsector recording the highest growth.

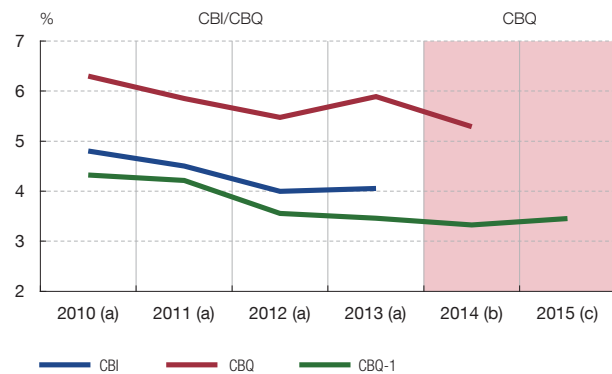
FINANCIAL COSTS
Rate of change



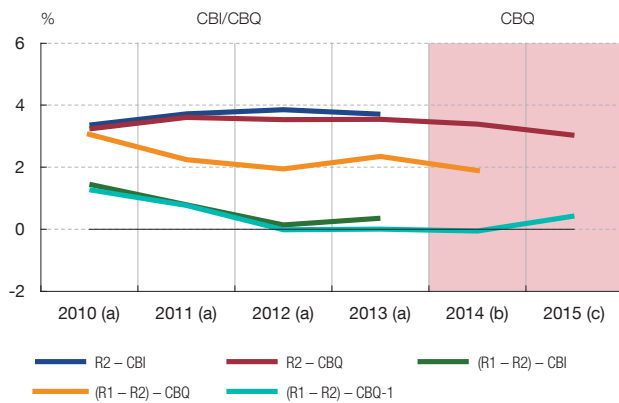
ORDINARY NET PROFIT
Rate of change



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		2010	2011	2012	2013	2014	2015
Number of corporations	CBI	560,627	594,687	622,919	546,040	—	—
	CBQ	799	813	834	836	846	825
Percentage of GVA of sector non-financial corporations	CBI	42.4	44.7	45.1	40.2	—	—
	CBQ	11.4	12.1	12.2	11.7	13.2	14.1

SOURCE: Banco de España.

- a The 2010, 2011, 2012 and 2013 data for the corporations reporting to the CBI, and the average data of the four quarters of each year (CBQ). In the case of the rates, the calculation is made relative to the previous year.
- b Average of the four quarters of 2014. In the case of the rates, the calculation is made relative to the same period of 2013.
- c 2015 Q1 data. In the case of the rates, the calculation is made relative to the same period of 2014.

Chart 2 suggests that the more favourable GVA performance embraced most corporations, since all three distribution quartiles of GVA growth rose. In turn, the increase in the median was 0.5 pp higher than at aggregate level, showing that the improvement in activity was most marked at the smaller corporations which have a lower relative weight in the total sample, as the breakdown by size reflects (see Table 3 and Box 1).

Employment and personnel costs

Personnel costs rose by 1.3% in 2015 Q1, compared with a 0.8% fall a year earlier. This increase was driven by the recovery in employment which grew by 1% (see Table 3), breaking out of the downward path of the last six years. By type of contract, temporary

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

TABLE 2

Structure and rate of change, percentages

		CBI		CBQ	
		2013	2014 Q1-Q4 (a)	2014 Q1	2015 Q1
Total corporations		546,040	846	825	825
Corporations reporting source/destination		546,040	773	760	760
Percentage of net purchases, by source	Spain	64.8	71.8	71.5	70.9
	Total abroad	35.2	28.2	28.5	29.1
	EU countries	15.4	21.7	22.2	21.6
	Third countries	19.8	6.6	6.3	7.5
Percentage of turnover, by destination	Spain	78.2	80.0	80.2	80.0
	Total abroad	21.8	20.0	19.8	20.0
	EU countries	13.0	14.1	14.1	13.9
	Third countries	8.8	5.8	5.6	6.1
Change in net external demand (exports less imports), rate of change	Industry	—	3.3	3.4	7.2
	Other corporations	71.7	-48.0	-68.5	-50.1

SOURCE: Banco de España.

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

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

TABLE 3

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

	Gross value added at factor cost				Employees (average for period)				Personnel costs				Personnel costs per employee			
	CBI		CBQ		CBI		CBQ		CBI		CBQ		CBI		CBQ	
	2013	2014 Q1-Q4 (a)	2014 Q1	2015 Q1	2013	2014 Q1-Q4 (a)	2014 Q1	2015 Q1	2013	2014 Q1-Q4 (a)	2014 Q1	2015 Q1	2013	2014 Q1-Q4 (a)	2014 Q1	2015 Q1
Total	-2.8	0.3	0.3	2.3	-1.8	-0.4	-1.3	1.0	-2.1	0.8	-0.8	1.3	-0.3	1.2	0.4	0.4
Size																
Small	-2.3	—	—	—	-1.7	—	—	—	-2.7	—	—	—	-1.0	—	—	—
Medium	-0.8	2.9	0.2	10.4	-1.3	2.5	1.7	1.8	-1.0	2.4	1.4	2.8	0.3	0.0	-0.3	1.0
Large	-3.2	0.3	0.3	2.3	-2.0	-0.5	-1.3	1.0	-1.8	0.7	-0.9	1.3	0.1	1.2	0.5	0.4
Breakdown by activity																
Energy	-5.0	4.1	2.1	-9.2	-2.7	-2.7	-5.7	-0.2	-1.3	-1.6	-4.6	-1.7	1.4	1.1	1.2	-1.5
Industry	-2.0	-1.1	-1.2	25.1	-1.6	-0.1	-0.7	1.0	-0.9	1.1	-0.4	2.6	0.7	1.2	0.3	1.6
Wholesale & retail trade and accommodation & food activities	-0.4	1.7	5.9	4.8	-1.8	-0.5	-1.7	0.8	-1.6	2.8	4.2	0.0	0.2	3.3	6.0	-0.8
Information and communications	-5.2	-7.2	-6.5	-5.5	-2.5	-1.5	-3.4	0.7	-5.1	-0.2	-4.2	2.2	-2.6	1.3	-0.7	1.5
Other activities	-3.6	1.9	0.4	3.1	-1.7	0.3	0.3	1.5	-2.5	0.4	-2.0	2.2	-0.8	0.1	-2.2	0.7

SOURCE: Banco de España.

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

The Spanish economic crisis had a comparatively greater impact on the activity and operating profit of smaller firms than on those of large corporations. Thus, as the data from the Integrated Central Balance Sheet Data Office Survey (CBI) show,¹ between 2008 and 2012 GOP declined much more markedly at SMEs than at larger firms (see Panel 1). Employment also fell more sharply at SMEs, although in this case the differences were less pronounced (see Panel 2).

In 2013 (the last year for which CBI data is available) this pattern reversed, coinciding with the start of the Spanish economic recovery, and both operating profit and employment performed more favourably at SMEs than at larger firms. The data available for 2014 and 2015 Q1 from the Central Balance Sheet Data Office's Quarterly Survey (CBQ)² signal that this pattern has continued, and in the case of operating profit that the differences between the two groups of corporations may even have intensified.

As Panels 3 and 4 show, these differences in rates of growth by corporation size, during the recession and the recovery, were quite broadly based by sector of activity,³ which suggests that this pattern does not reflect effects associated with the sectoral composition differences between the two groups of corporations.

A similar conclusion is drawn if the CBQ data are compared with data from other sources, such as those provided by the Tax Revenue Service (AEAT) in its report on sales, employment and

wages for a sample of some 30,000 firms. Thus both for 2014 and 2015 Q1, the AEAT sample, where smaller companies have a higher level of representation, showed in most sectors of activity a more dynamic sales and employment performance than was observed in the CBQ data, whereas for the crisis period the opposite was the case.

Various factors may have helped to explain the more favourable performance of SMEs in the most recent period. First, during the crisis smaller firms were comparatively harder hit by the tightening of financing and credit conditions, a situation that has tended to reverse in recent years. In particular, since 2013 interest rates on new lending have decreased, especially for loans under €1 million which is the case of most SME lending (see Panel 5). In addition, the ECB's survey on the access to finance of SMEs shows that in the last two years a growing percentage of SMEs has perceived a clear improvement in the availability of bank credit.

Second, it is important to note that in the last two years there has been a notable recovery in domestic demand (see Panel 6), which is comparatively more beneficial to SMEs as their business is more domestic market oriented. Conversely, during the crisis, larger corporations, whose sales are more export market oriented, were able to mitigate the effect on their turnover of the contraction in domestic sales thanks to the buoyancy of exports.

Third, during the crisis the SME segment underwent far-reaching adjustments, with closure and restructuring of less productive firms, so this segment is now in a better position to benefit from the economic recovery.

To conclude, the results reported in this box point to a continuation, in 2014 and 2015 Q1, of the higher momentum – first observed in 2013 – in operating profit and activity of SMEs compared with larger corporations. If this hypothesis proves correct, it would imply that the aggregate CBQ data, where larger corporations are over-represented, could to some extent be underestimating the scale of the recovery at non-financial corporations since 2013. Although these findings must be viewed with considerable caution as they are based on such a small sample, it is important to note that alternative data sources, such as the AEAT, confirm the same pattern for a broader sample.

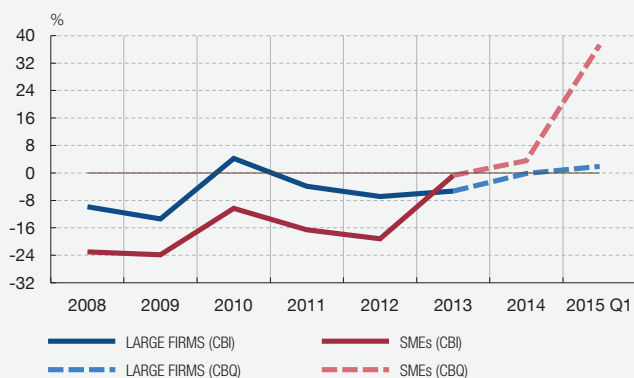
1 The CBI comprises a sample of approximately 600,000 firms, of which some 10,000, mainly large firms, collaborate voluntarily with the Central Balance Sheet Data Office (CBSO), replying to questionnaires. Data on the remainder, which are medium-sized and especially small firms, are obtained from the accounts filed with the Mercantile Registries.

2 Although the CBQ comprises a sample of predominantly large corporations, it also includes data on smaller (mainly medium-sized) firms, but they have a comparatively lower level of representation, especially in certain sectors. In any event, the aggregate of smaller companies included in this database reflects a similar performance to the SMEs of the CBI: a more pronounced decline than for large corporations during the crisis and a more positive profit and employment performance in 2013. In this respect, they may be a leading indicator for the main CBI trends.

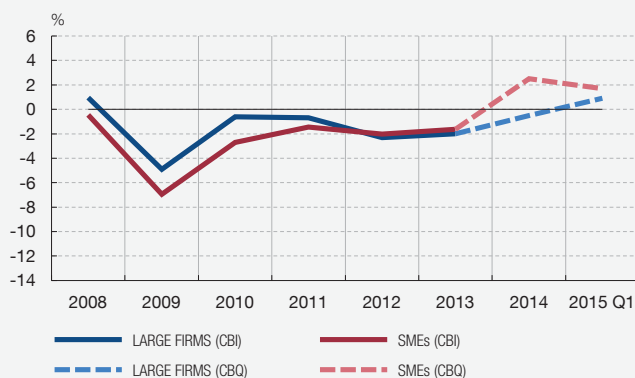
3 The CBQ for 2014 does not provide separate data for the construction sector, since the database does not include sufficient construction firms, which are, therefore, included in "Other".

AN ANALYSIS BY CORPORATION SIZE (cont'd).

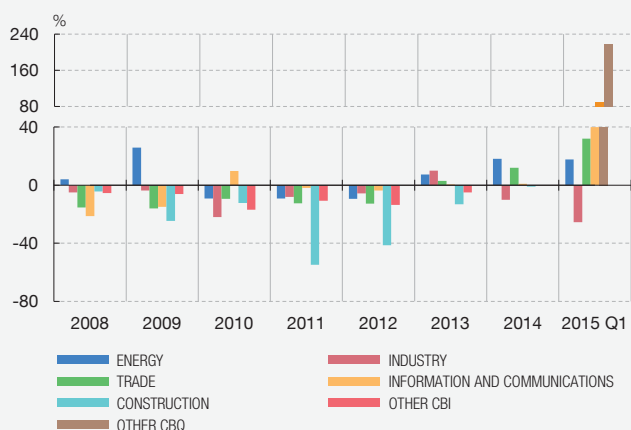
1 GROSS OPERATING PROFIT. BREAKDOWN BY SIZE (Growth rates) (a)



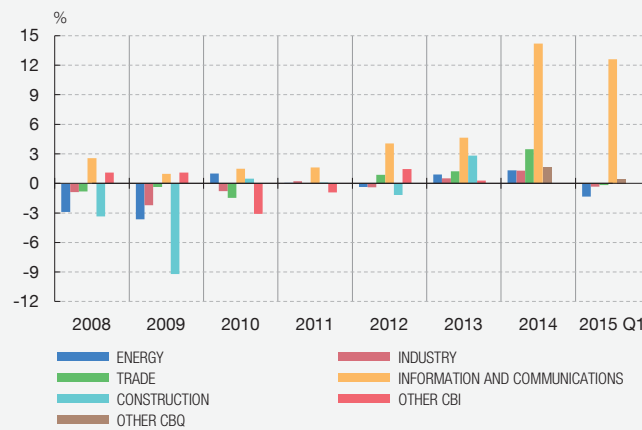
2 AVERAGE EMPLOYMENT. BREAKDOWN BY SIZE (Growth rates) (a)



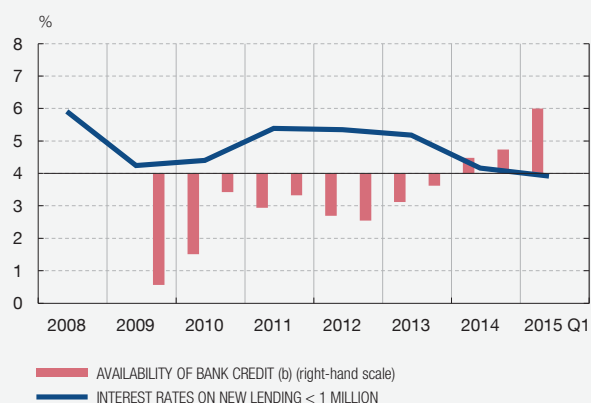
3 DIFFERENCE BETWEEN RATE OF GROWTH OF GOP AT SMEs AND LARGE CORPORATIONS. BREAKDOWN BY SECTOR (a)



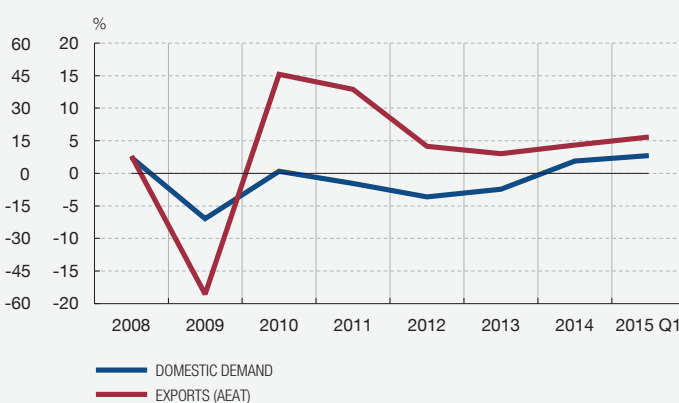
4 DIFFERENCE BETWEEN RATE OF GROWTH OF EMPLOYMENT AT SMEs AND LARGE CORPORATIONS. BREAKDOWN BY SECTOR (a)



5 INTEREST RATES AND ACCESS TO CREDIT



6 DOMESTIC DEMAND AND EXPORTS (Growth rates)



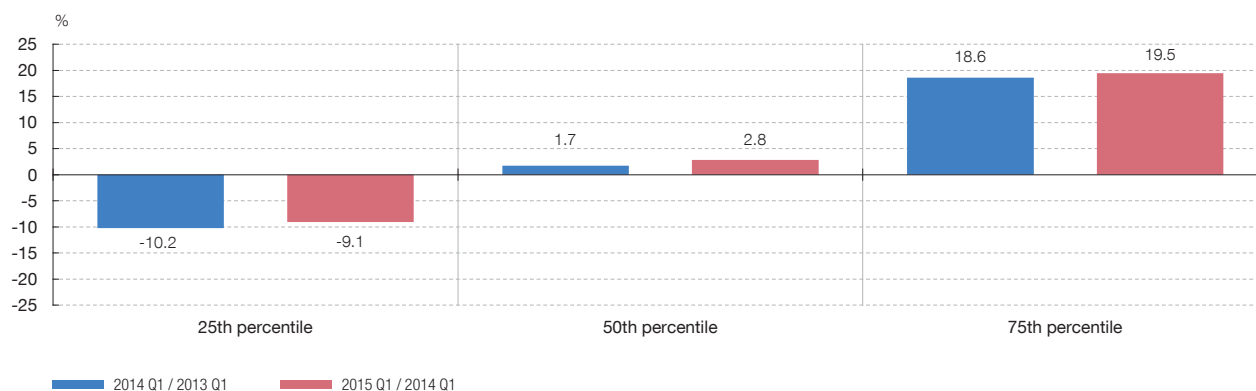
SOURCE: AEAT, ECB, INE and Banco de España.

a CBI data to 2013 and CBQ data thereafter.

b Data from the ECB survey on access to finance of SMEs. Calculated as the percentage of corporations that signal an improvement in this respect minus the percentage of those that signal a deterioration.

DISTRIBUTION PERCENTILES OF CORPORATIONS BY RATE OF CHANGE IN GVA

CHART 2



SOURCE: Banco de España.

EMPLOYMENT

TABLE 4

	Total CBQ corporations 2015 Q1	Corporations increasing (or not changing) staff levels	Corporations reducing staff levels
Number of corporations	825	491	334
Number of employees			
Initial situation 2014 Q1 (000s)	886	555	331
Rate 2015 Q1 / 2014 Q1	1.0	4.3	-4.6
Permanent			
Initial situation 2014 Q1 (000s)	759	471	288
Rate 2015 Q1 / 2014 Q1	-0.6	1.6	-4.1
Non-permanent			
Initial situation 2014 Q1 (000s)	127	84	43
Rate 2015 Q1 / 2014 Q1	10.3	19.4	-7.2

SOURCE: Banco de España.

PERSONNEL COSTS AND EMPLOYEES

Percentage of corporations in specific situations

TABLE 5

	CBI		CBQ			
	2012	2013	2013 Q1 - Q4 (a)	2014 Q1 - Q4 (a)	2014 Q1	2015 Q1
Number of corporations	622,919	546,040	836	846	898	825
Personnel costs	100	100	100	100	100	100
Falling	38.7	37.0	49.2	41.9	45.4	36.6
Constant or rising	61.3	63.0	50.8	58.1	54.6	63.4
Average number of employees	100	100	100	100	100	100
Falling	29.4	27.7	53.8	47.9	52.8	40.5
Constant or rising	70.6	72.3	46.2	52.1	47.2	59.5

SOURCE: Banco de España.

a Weighted average of the relevant quarters for each column.

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

TABLE 6

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)			
	CBI		CBQ		CBI		CBQ		CBI		CBQ		CBI		CBQ	
	2013	2014 Q1-Q4 (a)	2014 Q1	2015 Q1	2013	2014 Q1-Q4 (a)	2014 Q1	2015 Q1	2013	2014 Q1-Q4 (a)	2014 Q1	2015 Q1	2013	2014 Q1-Q4 (a)	2014 Q1	2015 Q1
Total	-4.3	-0.2	1.5	3.4	8.2	-11.8	0.4	23.6	4.1	5.3	3.3	3.5	0.4	1.9	-0.1	0.4
Size																
Small	-0.8	—	—	—	149.7	—	—	—	1.0	—	—	—	-2.5	—	—	—
Medium	-0.1	3.9	-2.8	37.4	6.1	1.5	-17.7	—	3.6	4.8	2.7	3.8	-0.4	1.4	-0.8	1.3
Large	-5.3	-0.2	1.6	3.3	6.4	-11.9	0.4	23.1	5.1	5.3	3.3	3.5	1.3	1.9	-0.1	0.4
Breakdown by activity																
Energy	-6.5	6.4	4.5	-11.7	-4.3	-10.9	7.9	-20.6	6.0	4.9	4.6	3.2	1.8	1.1	0.8	-0.2
Industry	-4.4	-6.0	-2.8	69.9	-11.1	-14.0	23.1	197.6	4.4	4.0	2.7	7.4	0.7	1.4	0.0	5.1
Wholesale & retail trade and accommodation & food activities	3.7	-0.2	8.9	12.3	12.0	-4.7	-5.4	33.1	5.1	9.8	6.9	8.9	1.1	6.0	2.7	6.1
Information and communications	-5.2	-10.4	-7.5	-10.1	-3.2	-15.6	-10.3	-18.5	13.3	16.3	15.5	14.6	9.1	12.8	11.4	12.4
Other activities	-7.2	5.1	7.1	5.8	84.1	-15.3	0.3	83.4	2.8	4.5	1.7	1.8	-0.7	1.2	-1.6	-1.2

SOURCE: Banco de España.

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

employment rose by a strong 10.3% (see Table 4), while the number of workers with permanent contracts continued to fall, although at a more subdued pace than in previous periods (0.6%), still affected by staff cuts at certain large firms in the sample. In keeping with this positive performance, Table 5 shows that the percentage of corporations that destroyed jobs fell again in the first quarter of the year, reaching 40.5%, more than 12 pp below the figure for the same period a year earlier. The sectoral breakdown reveals that the rise in the number of workers was broadly-based, with the only exception being the energy sector where the average workforce fell by 0.2%, although this is a much smaller decline than that recorded a year earlier (5.7%) (see Table 3). Employment rose in industry (1%), in wholesale and retail trade and accommodation and food service activities (0.8%) and in information and communications (0.7%). Lastly, the highest growth (1.5%) was observed in the group that covers all other activities, impacted by the positive performance of the other services subsector.

Average compensation rose by 0.4%, the same rate of increase as in 2014 Q1. The sectoral breakdown reveals differences between sectors: thus, while wage costs per worker declined in energy (1.5%) and in wholesale and retail trade and accommodation and food service activities (0.8%), in industry and in information and communications they rose by around 1.5%, in both cases a more marked increase than a year earlier. Lastly, in the group that covers all other activities, wage costs rose by 0.7%.

Profit, rates of return and debt

Gross operating profit rose by 3.4% to March 2015, outdoing the growth recorded in the same period a year earlier (1.5%) and the slight decline recorded in 2014 overall (0.2%). The breakdown by size shows that both in 2014 and in 2015 Q1 the smallest corporations

	CBI	CBQ (a)	
	2013 / 2012	2014 Q1-Q4/ 2013 Q1-Q4	2015 Q1/ 2014 Q1
Change in financial costs	-5.1	-5.9	-8.2
A Interest on borrowed funds	-5.5	-4.3	-8.6
1 Due to the cost (interest rate)	-3.0	-3.0	-10.7
2 Due to the amount of interest-bearing debt	-2.5	-1.3	2.1
B Other financial costs	0.4	-1.6	0.4

SOURCE: Banco de España.

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

in the quarterly sample (essentially medium-sized firms) recorded the highest growth in GOP (3.9% and 37.4%, respectively), clearly outpacing the figures of the large corporations (see Table 6 and Box 1). The sectoral breakdown shows uneven growth, as was the case with GVA. Thus, while industry and, to a lesser extent, wholesale and retail trade and accommodation and food service activities and the group that covers all other activities recorded significant growth in GOP (69.9%, 12.3% and 5.8%, respectively), in all other sectors it contracted.

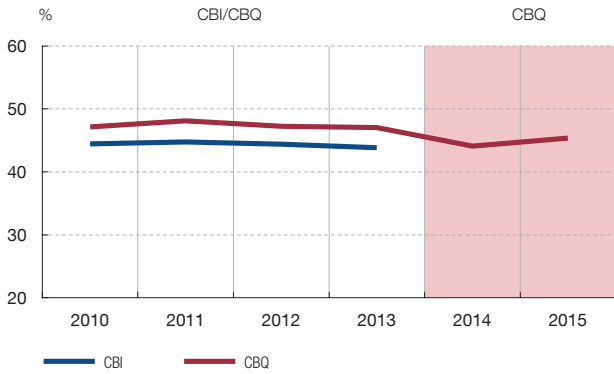
Financial revenue rose by 10.8%, driven by the increase (of 26.1%) in dividend receipts, while interest revenue fell by 8%.

During the opening months of 2015, the aggregate debt of the corporations reporting to the CBQ rose, so both the E1 ratio (calculated as interest-bearing debt/net assets) and the E2 ratio (debt/ordinary profit) rose, to 45.4% and 609%, respectively, up 1 pp and 8 pp on December 2014 (see Chart 3). However, this was largely owing to a number of one-off operations by large corporations, so the aggregate performance was compatible with continued deleveraging by firms with greater adjustment needs. The sectoral breakdown shows that the growth in the E1 ratio was concentrated mostly in wholesale and retail trade and accommodation and food service activities, while the changes in the E2 ratio were mainly a reflection of the different ordinary profit performance (the denominator of the ratio) by sector.

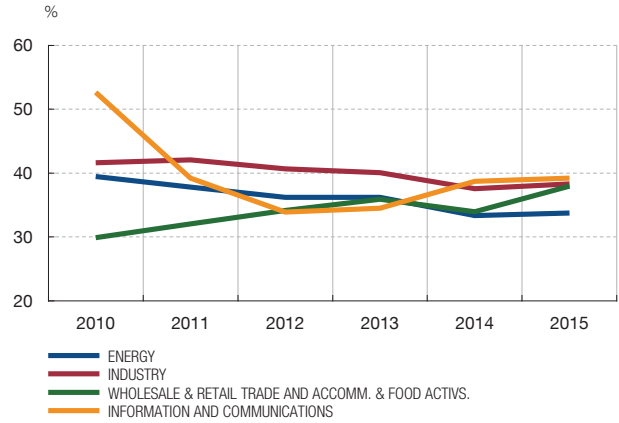
The effect of higher indebtedness on interest payments was offset by the decrease (from 3.4% to 3%) in the average cost of borrowing; hence, financial costs fell by 8.2% (see Table 7). This, along with the favourable ordinary profit performance, prompted a drop in the debt burden ratio, measured with respect to GOP and financial revenues, to 22.3% (0.7 pp less than in 2014).

Depreciation, impairment and operating provisions fell by 4%, allowing ONP to rise by 23.6% in 2015 Q1, after remaining virtually unchanged (0.4%) in the same period of the previous year. The ratios that approximate return on investment and return on equity rose by 0.2 pp and 0.5 pp to 3.5% and 3.8%, respectively (see Table 6). The breakdown by sector of the return on investment ratio shows quite a high degree of heterogeneity: thus, while in industry and in wholesale and retail trade and accommodation and food service activities there was a clear increase, to 7.4% and 8.9%, respectively, compared with 2.7%

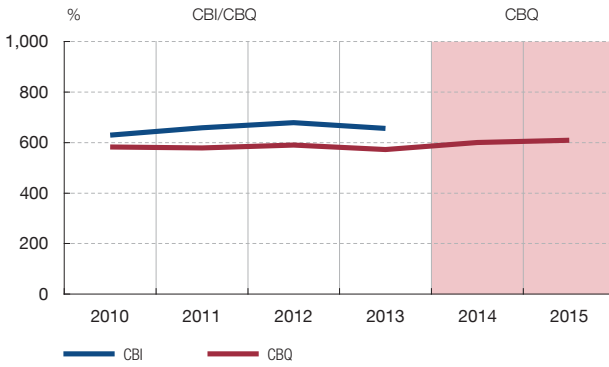
E1. INTEREST-BEARING BORROWING / NET ASSETS (a)
TOTAL CORPORATIONS



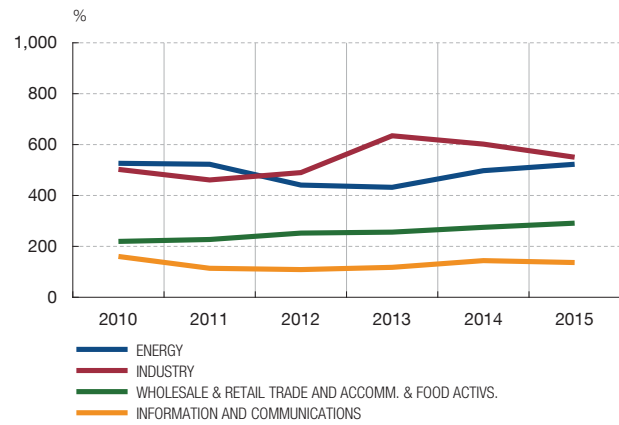
E1. INTEREST-BEARING BORROWING / NET ASSETS (a)
BREAKDOWN BY SECTOR. CBQ



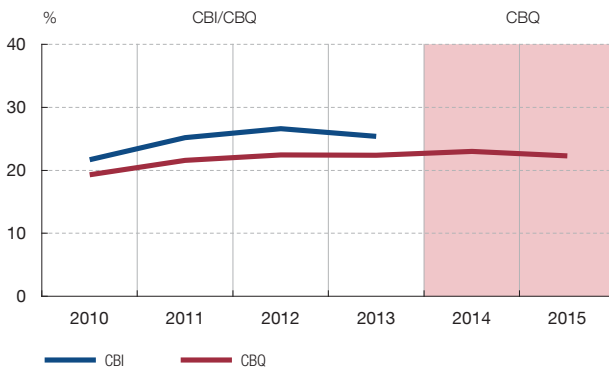
E2. INTEREST-BEARING BORROWING / (GOP + FR) (b)
TOTAL CORPORATIONS



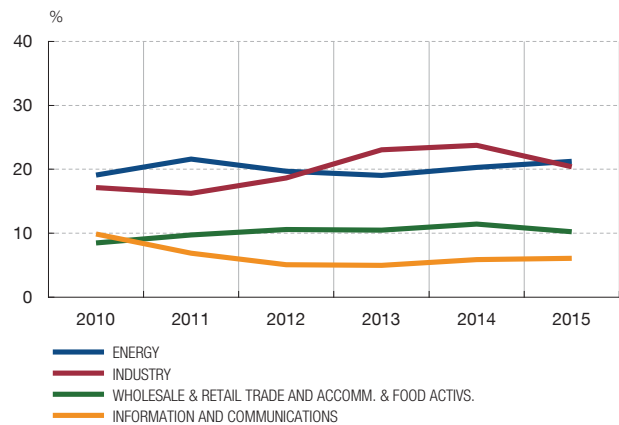
E2. INTEREST-BEARING BORROWING / (GOP + FR) (b)
BREAKDOWN BY SECTOR. CBQ



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. Own funds 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).

		CBQ			
		Return on investment (R.1)		Return on equity (R.3)	
		2014 Q1	2015 Q1	2014 Q1	2015 Q1
Number of corporations		898	825	898	825
Percentage of corporations by profitability bracket	R ≤ 0%	31.4	27.6	36.7	33.0
	0% < R ≤ 5%	27.1	27.8	18.6	18.3
	5% < R ≤ 10%	13.5	14.9	10.8	12.5
	10% < R ≤ 15%	6.8	8.5	6.3	7.0
	15% < R	21.2	21.2	27.7	29.1
MEMORANDUM ITEM: Average return		3.3	3.5	3.3	3.8

SOURCE: Banco de España.

and 6.9% a year earlier, in energy and in information and communications the ratio fell by approximately 1 pp to 3.2% and 14.6%, respectively. In the group that covers all other activities the ratio was practically unchanged. In keeping with the improvement in aggregate returns, the figures in Table 8 depict a sharp drop in the percentage of corporations with negative values in these ratios. In addition, the moderate increase in the aggregate return on investment, together with the decline in the cost of borrowing in the total sample, prompted the emergence of a positive difference between the two indicators of 0.4%, 0.5 pp higher than a year earlier

Lastly, in 2015 Q1 extraordinary costs and revenue exerted a highly positive influence on final profit, primarily owing to large capital gains obtained on the disposal of financial assets. In consequence, net profit was more than twice the figure recorded in the same period of 2014. As a percentage of GVA it rose to 30.2%, well above the figure of 11.7% recorded a year earlier.

11.6.2015