RESULTS OF NON-FINANCIAL CORPORATIONS IN 2014 AND THE FIRST THREE QUARTERS OF 2015

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Overview[1]

This article presents the results for 2014 on the basis of the sample of non-financial corporations of the Integrated Central Balance Sheet Data Office (CBI), which comprises both the data submitted by firms responding to the annual survey of the Central Balance Sheet Data Office (CBA) and the data obtained from accounts filed in the Mercantile Registries (CBB). It also analyses the most recent data, up to September of the current year, obtained from the sample of the Central Balance Sheet Data Office's Quarterly Survey (CBQ), which is smaller and in which large corporations are over-represented.

The CBI data confirms, for 2014, the main features disclosed by the CBQ (see the *Economic Bulletin* of March 2015), especially for the large corporation segment. Thus, in the last year there was an improvement in activity, with gross value added (GVA) growing by 2.3%, compared with a decline of a similar amount in the previous year. The breakdown by size shows that, for the second consecutive year, there was a higher rate of growth in this indicator in SMEs than in larger firms (see Box 1).

The CBQ data shows that in the first three quarters of 2015 the upswing of the previous year was prolonged and intensified. Thus, in this period, GVA for the whole sample increased by 4.2% in year-on-year terms, exceeding the figure recorded a year earlier, when this indicator grew by 1.4% in the quarterly sample. This positive performance came against a backdrop in which domestic demand rose and exports continued to show high buoyancy.

Personnel costs grew by 2.4% in 2014 following the 1.6% fall in 2013. In the first three quarters of 2015 these costs also increased, by 2.2%, clearly exceeding the 0.4% increase recorded in the previous year by the CBQ firms. The greater buoyancy of this item in the last two years is essentially due to the favourable evolution of employment. This was particularly evident in the case of temporary contracts, which increased by 5% in 2014 and 13.2% to September 2015. The rate of change in permanent employment also rose, hitting positive figures in 2014 of 0.5%, while for the CBQ they remained negative, albeit progressively less so. Average compensation posted moderate growth, both in 2014 and in the first three quarters of 2015.

As a result of these developments in productive activity and personnel costs, gross operating profit (GOP) grew by 2.2% in 2014 (compared with the 3.9% decline the previous year) and by 6.4% in the current year to September.

Financial revenue slumped in 2014 (20.2%) and between January and September 2015 it continued to fall, albeit more moderately (4.8%). The 2014 performance was greatly influenced by the behaviour of dividends received, while in 2015 the decline was due mainly to lower interest income. Financial costs also fell in both periods (5% in 2014 and

1 This article draws on the CBI information for 2014 and the CBQ information for the first three quarters of 2015. In the first case, the sample contains 242,905 reporting corporations, which account for 31.3% of the non-financial corporations sector in terms of GVA. The quarterly sample is made up of the 811 firms that sent their data to CBQ up to 12 November, which account for 13.5% of the GVA generated by the entire sector, according to the National Accounts data provided for this period.

9.2% in the first three quarters of this year), mainly as a result of the decline in borrowing costs. The behaviour of debt also contributed in 2014 to the drop in financial costs, while in 2015 it had almost no impact, which reflects the slight increase in borrowings compared with the average level in the same period a year earlier.

The downward path of liabilities in 2014 translated into a further decline in the E1 debt ratio (calculated as interest-bearing debt as a proportion of net assets) in that year. Between January and September 2015, this indicator continued to fall due to both the moderate decline in debt and the increase in net assets. The E2 ratio (debt as a proportion of GOP plus financial revenue) and the interest burden ratio (financial costs as a proportion of the sum of GOP plus financial revenue) increased slightly in 2014, while so far in 2015 they have decreased, impacted both by the decline in borrowings and financial costs and by the growth in operating profit (the denominator of the two ratios).

Ordinary net profit (ONP) shrank by 5% in 2014, strongly influenced by the sharp fall in financial revenue in that year. In contrast, in the first nine months of 2015 ONP grew by 19.7% reflecting the improvement in business activity. The positive pattern in ordinary profit in 2015 to date contributed to prolonging the upswing in firms' equity following the weak progress in this item during the crisis (see Box 2).

Against this background, profit levels fell very slightly in 2014 and have recovered somewhat in 2015 to date. As a result of this development, together with the decline in the average financing costs, the gap between the ROI and the cost of debt widened gradually to stand at 1.4% between January and September 2015, half a percentage point higher than the figure recorded in the year-ago period in the quarterly sample.

Finally, extraordinary gains and losses exerted a positive influence on profit in the last two years. In particular, in 2014 this impact was due to smaller losses in the sale of financial assets, whereas from January to September 2015 there were valuation adjustments due to increases in financial asset prices. This contributed, in both periods, to substantial growth in final profit, of almost 160% in 2014 (although the historically low level of the previous year should be borne in mind) and of 28.6% up to September 2015. Expressed as a percentage of GVA, profit for this last year climbed to 27.1%, as compared with 18.6% in the same period of the previous year.

Activity

In 2014, the GVA of the non-financial corporations of the CBI grew by 2.3% (see Table 1 and Chart 1), compared with the decline recorded in the previous year, also of 2.3%.

This trend is the result of the good performance of both domestic demand and external activity. Also, for the second consecutive year, SMEs posted a more favourable performance than larger corporations, with a 5.4% increase in GVA in 2014 (5.5% among small enterprises and 5.2% among medium enterprises; see Table 2 and Box 1), as compared to the 1.8% decrease in the previous year.

The CBQ data for the first nine months of 2015 evidences a continuation and strengthening of the recovery in activity. For the quarterly sample taken as a whole, GVA increased by 4.2%, as compared to the 1.4% recorded a year earlier. All of this took place against a background in which the momentum of both domestic demand and exports remained high, contributing to the growth in activity. In line with this trend, there was a 3.8% increase in sales in Spain in the first three quarters of 2015, which contrasts with the somewhat negative rate recorded a year earlier (-0.4%). Exports grew with even greater intensity in

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 (a)		
	2014	2013	2014	2014 Q1-Q4 / 2013 Q1-Q4	2014 Q1-Q3 / 2013 Q1-Q3	2015 Q1-Q3 / 2014 Q1-Q3
Number of corporations		610,895	242,905	863	879	811
Total national coverage (% of GVA)		47.2	31.3	13.3	13.9	13.5
PROFIT AND LOSS ACCOUNT						
1 VALUE OF OUTPUT (including subsidies)	100.0	-1.9	1.6	-0.1	0.1	-2.3
Of which:						
Net amount of turnover and other operating income	*154.4*	*-1.8*	*4.0*	*1.8*	*1.5*	*-1.8*
2 INPUTS (including taxes)	66.5	-1.8	1.2	-0.2	-0.5	-5.1
Of which:						
Net purchases	*43.4*	*-3.5*	*1.9*	*0.1*	*1.4*	*-8.7*
Other operating costs	*22.9*	*-0.4*	*0.7*	*0.9*	*1.0*	*1.3*
S.1 GROSS VALUE ADDED AT FACTOR COST [1 – 2]	33.5	-2.3	2.3	0.0	1.4	4.2
3 Personnel costs	21.5	-1.6	2.4	0.9	0.4	2.2
S.2 GROSS OPERATING PROFIT [S.1 – 3]	12.0	-3.9	2.2	-1.1	2.6	6.4
4 Financial revenue	4.4	4.4	-20.2	-24.7	-13.7	-4.8
5 Financial costs	3.9	-4.9	-5.0	-7.5	-2.3	-9.2
6 Depreciation, impairment and operating provisions	6.0	-6.6	-5.0	-2.3	-1.5	-3.6
S.3 ORDINARY NET PROFIT [S.2 + 4 – 5 – 6]	6.5	9.5	-5.0	-14.6	-0.3	19.7
7 Gains (losses) from disposals and impairment	-0.9	24.1	75.2	87.3	—	-0.5
7' As a percentage of GVA (7 / S.1)		-9.3	-2.8	-1.9	0.7	2.2
8 Changes in fair value and other gains (losses)	-0.1	54.7	85.9	73.6	—	—
8' As a percentage of GVA (8 / S.1)		-1.5	-0.3	-1.2	-0.8	0.7
9 Corporate income tax	0.5	—	31.2	—	86.2	-15.0
S.4 NET PROFIT [S.3 + 7 + 8 – 9]	4.9	—	158.5	135.2	30.3	28.6
S.4' As a percentage of GVA (S.4 / S.1)		2.0	14.7	24.2	18.6	27.1
PROFIT RATIOS	Formulas (b)					
R.1 Return on investment (before taxes)	(S.3 + 5.1) / NA	4.2	4.1	5.3	4.3	4.4
R.2 Interest on borrowed funds/ interest-bearing borrowing	5.1 / IBB	3.7	3.5	3.3	3.4	3.0
R.3 Ordinary return on equity (before taxes)	S.3 / E	4.6	4.5	6.8	5.1	5.4
R.4 ROI – cost of debt (R.1 – R.2)	R.1 – R.2	0.5	0.6	1.9	0.9	1.4

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

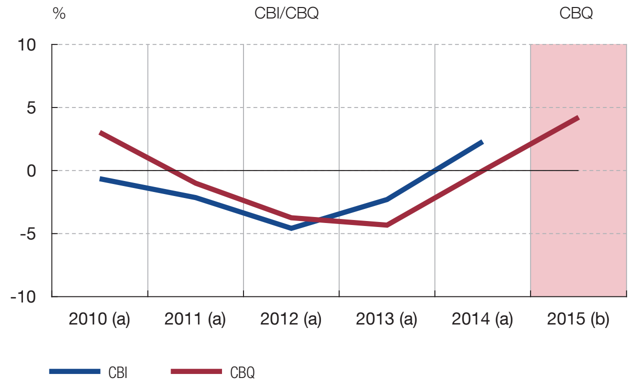
a All the data in this column have been calculated as the weighted average of the quarterly data.
b NA = Net assets (net of non-interest-bearing borrowing); E = Equity; IBB = Interest-bearing borrowing; NA = E + IBB. The financial costs in the numerators of ratios R.1 and R.2 only include the portion of financial costs that is interest on borrowed funds (5.1) and not other financial costs (5.2).

this period (10.1%), which explains why they will continue to gain in relative weight with respect to total turnover (see Table 3).

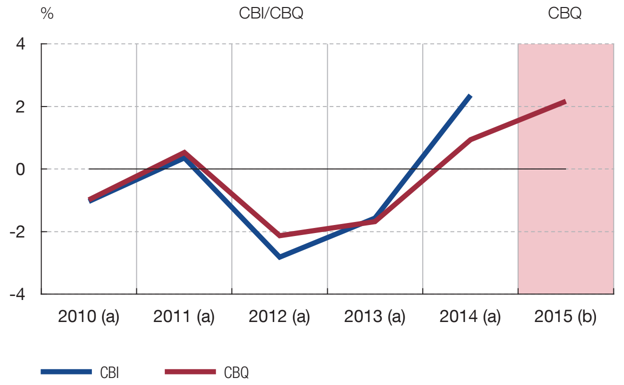
Turning to a sector-by-sector analysis, the upturn was evident in most sectors, both in 2014 and in the period to September 2015 (see Table 2). Thus, industry posted notable increases in GVA in the two periods, most markedly in 2015, with 24.2% growth, heavily influenced by the extraordinary growth of refining companies. However the other industrial subsectors also performed positively and more favourably than in 2014, including most notably the chemicals industry, the manufacture of transport equipment and the food, beverages and tobacco industry, where this indicator rose by 25.2%, 10.5% and 10.2%,

NON-FINANCIAL CORPORATIONS REPORTING TO THE CENTRAL BALANCE SHEET DATA OFFICE — CHART 1

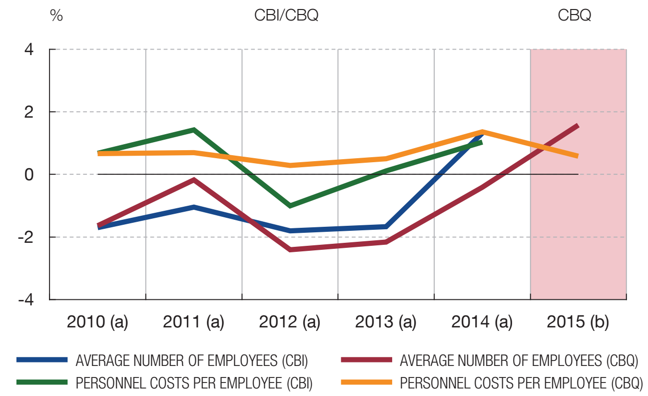
GROSS VALUE ADDED AT FACTOR COST
Rate of change



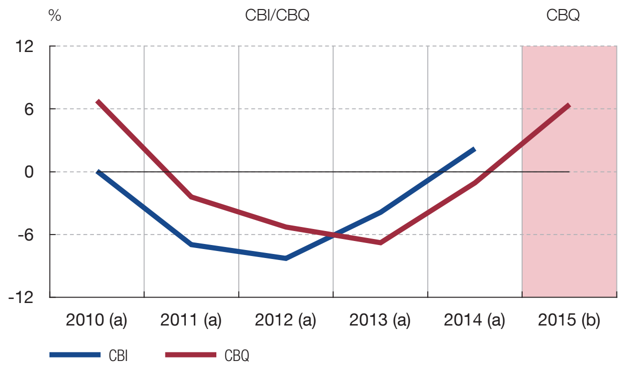
PERSONNEL COSTS
Rate of change



EMPLOYMENT AND WAGES
Rate of change



GROSS OPERATING PROFIT
Rate of change



Reporting non-financial corporations		2010	2011	2012	2013	2014	2015
Number of corporations	CBI	560,627	594,687	629,926	610,895	242,905	—
	CBQ	798	812	833	838	863	811
% of GVA of sector non-financial corporations	CBI	42.9	44.9	47.7	47.2	31.3	—
	CBQ	11.4	12.0	12.2	11.8	13.3	13.5

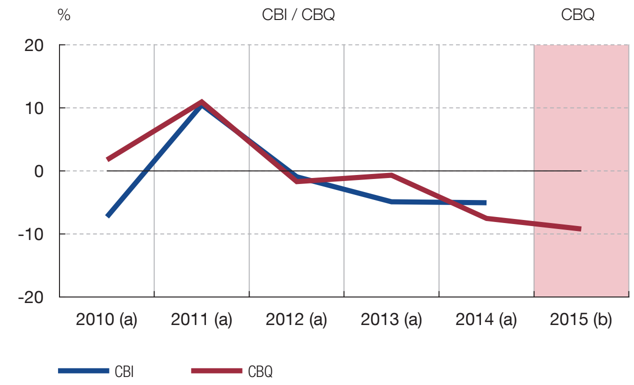
SOURCE: Banco de España.

a The 2010, 2011, 2012, 2013 and 2014 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 Data up to 2015 Q3 relative to the same period in 2014.

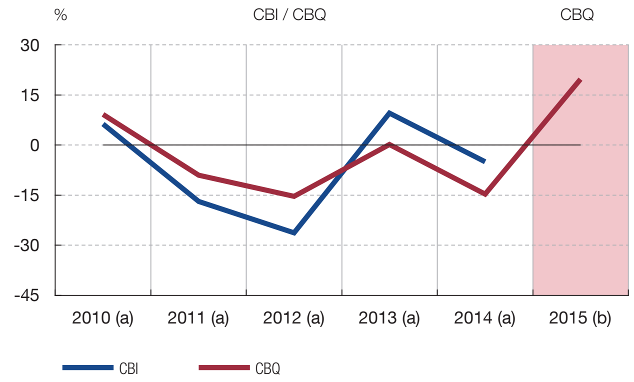
respectively. The wholesale & retail trade and accommodation & food services sector benefited from the recovery of consumption and also showed expansionary behaviour, with increases in GVA of 2.7% in 2014 and 3.4% to September 2015. The information and communications sector, in a setting of high competition and narrowing margins, once again posted negative, albeit progressively less so, rates of change, standing at 2.8% in 2015 to date as compared to the 4.6% fall observed in the CBI data for the previous year. The energy sector was the only one to experience a more negative performance than in the previous year, with a fall of 3.6% compared to 1.7% growth in 2014 in the CBI. Lastly, the group covering other activities showed an increase of 3.2% in 2014 and 3.6% in the first three quarters of 2015, boosted in both cases by the good performance of corporations in the transport sector and other services.

NON-FINANCIAL CORPORATIONS REPORTING TO THE CENTRAL BALANCE SHEET DATA OFFICE (cont'd) — CHART 1

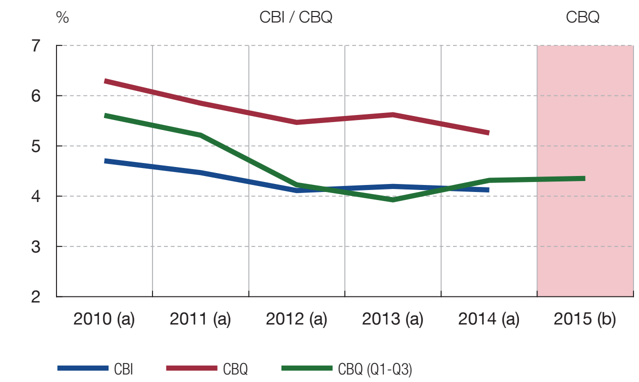
FINANCIAL COSTS
Rate of change



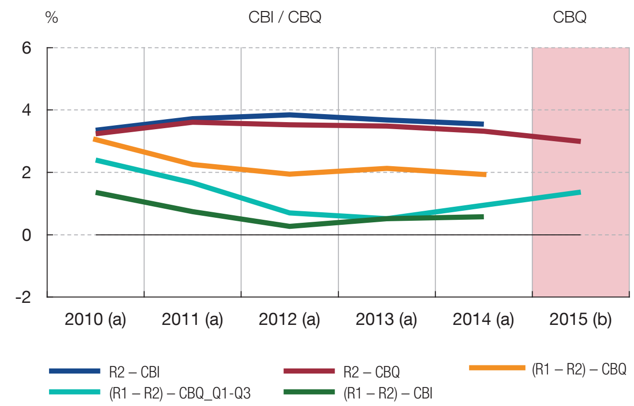
ORDINARY NET PROFIT
Rate of change



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
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	CBQ	11.4	12.0	12.2	11.8	13.3	13.5

SOURCE: Banco de España.

a The 2010, 2011, 2012, 2013 and 2014 data for the corporations reporting to the CBI, and the average data of the four quarters of each year (CBQ). The rates are calculated relative to the previous year.
b 2015 Q3 data. The rates are calculated relative to the same period in 2014.

Chart 2 shows the quartiles of the distribution of the GVA growth rate for CBQ corporations in the first three quarters of 2014 and 2015. These statistics reveal an increase in the 25th and 50th percentiles (of around 2 pp), while the 75th percentile showed almost identical values in the two periods under analysis. This suggests a lower dispersion (proxied by the distance between the extreme percentiles) among firms in relation to the growth of this variable.

Employment and personnel costs

Personnel costs rose 2.4% in 2014, according to the CBI, and 2.2% during the first three quarters of 2015 (see Table 2). The increase in these costs is due mainly to the gradual recovery in employment in these last two years, during which time average compensation has continued to make moderate progress.

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

TABLE 2

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 (a)			CBI	CBQ (a)			CBI	CBQ (a)			CBI	CBQ (a)		
	2014	2014 Q1-Q4	2014 Q1-Q3	2015 Q1-Q3	2014	2014 Q1-Q4	2014 Q1-Q3	2015 Q1-Q3	2014	2014 Q1-Q4	2014 Q1-Q3	2015 Q1-Q3	2014	2014 Q1-Q4	2014 Q1-Q3	2015 Q1-Q3
TOTAL	**2.3**	**0.0**	**1.4**	**4.2**	**1.3**	**-0.4**	**-0.8**	**1.6**	**2.4**	**0.9**	**0.4**	**2.2**	**1.0**	**1.4**	**1.1**	**0.6**
SIZE																
Small	5.5	—	—	—	3.0	—	—	—	2.7	—	—	—	-0.2	—	—	—
Medium	5.2	4.5	8.1	4.6	2.8	2.5	2.7	2.4	3.4	2.8	2.9	3.3	0.5	0.3	0.2	0.9
Large	1.5	0.0	1.4	4.2	0.6	-0.4	-0.8	1.6	2.2	0.9	0.4	2.2	1.6	1.4	1.2	0.6
BREAKDOWN BY ACTIVITY																
Energy	1.7	4.1	4.0	-3.6	-2.7	-2.8	-3.7	0.6	-1.0	-1.2	-2.1	-0.4	1.7	1.6	1.7	-1.0
Industry	4.6	-3.9	1.1	24.2	1.1	-0.2	-0.3	1.4	2.6	1.4	0.7	2.8	1.5	1.5	1.0	1.4
Wholesale & retail trade and accommodation & food service activities	2.7	1.6	5.1	3.4	0.9	-0.9	-1.2	1.4	1.9	2.5	2.2	2.1	1.0	3.4	3.4	0.7
Information and communications	-4.6	-7.4	-6.9	-2.8	-0.2	-1.5	-2.2	1.2	5.1	-0.7	-0.5	3.0	5.4	0.8	1.7	1.8
Other activities	3.2	2.5	2.6	3.6	2.2	0.7	0.4	2.1	2.3	0.9	0.2	2.4	0.1	0.3	-0.3	0.2

SOURCE: Banco de España.

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

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

TABLE 3

Structure and rate of change, percentages

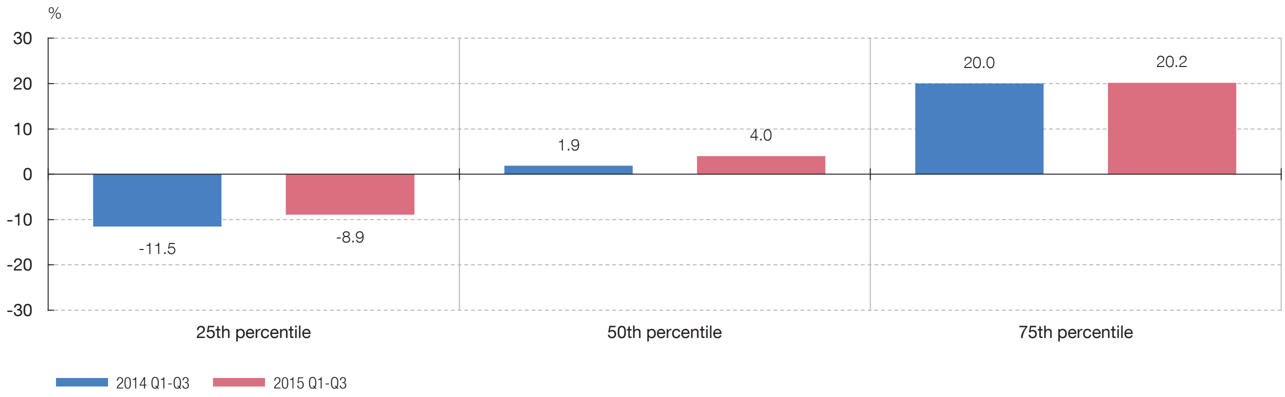
		CBA (a)		CBQ (b)	
		2013	2014	2014 Q1-Q3	2015 Q1-Q3
Total corporations		7,537	7,537	811	811
Corporations reporting source/destination		7,537	7,537	753	753
Percentage of net purchases according to source	Spain	64.8	65.8	73.4	70.9
	Total abroad	35.2	34.2	26.6	29.1
	EU countries	15.5	15.5	21.2	22.0
	Third countries	19.7	18.7	5.4	7.2
Percentage of net turnover according to destination	Spain	79.1	78.1	79.1	78.1
	Total abroad	20.9	21.9	20.9	21.9
	EU countries	13.2	13.6	15.7	16.1
	Third countries	7.7	8.3	5.2	5.8
Change in net external demand (exports less imports), rate of change	Industry	130.2	—	2.0	3.0
	Other corporations	52.9	—	-43.9	-22.7

SOURCE: Banco de España.

a These data are only available for CBA corporations.
b All the data in these columns have been calculated as the weighted average of the relevant quarterly data.

PERCENTILES OF DISTRIBUTION OF CORPORATIONS BY RATE OF CHANGE IN GROSS VALUE ADDED

CHART 2



SOURCE: Banco de España.

Average workforce numbers increased by 1.3% in 2014 for the CBI sample of firms, which represents the first net rise in employment in this database since 2008. For the first three quarters of 2015, the CBQ also evidenced an increase in the average number of workers, of 1.6% in this case, as compared with the 0.8% decline reflected by this survey in the same period of the previous year. In line with these developments, the data in Table 4 reveal how in 2014 the percentage of corporations that did not destroy jobs surged to 86.5% (compared to 76% in the previous year). In accordance with the CBQ data, this trend persisted and intensified in the first nine months of 2015 and, therefore, the percentage of corporations in this position grew by almost 10 pp with respect to the same period of the previous year to stand at 61.1%.

The recovery of employment was characterised, both in 2014 and in the first nine months of 2015, by being more marked in temporary employment, which grew by 5% and 13.2%, respectively (see Table 5). Permanent employment also improved and rose slightly (0.3%) in 2014 for the first time in this database since the start of the crisis. The quarterly data, however, continued to reflect declines in permanent jobs in the first three quarters of 2015, albeit smaller ones, in this case by 0.4% as compared with the 1.2% drop in the previous year among the CBQ firms.

Sectoral analysis of activity shows how the positive performance of employment spread to progressively more sectors. Thus, industry, wholesale & retail trade, accommodation & food services and the group that covers all other activities already saw increases in their average workforces in 2014, which have continued and intensified in 2015 to date, posting rates of 1.4%, 1.4% and 2.1%, respectively. The energy and information & communications sectors did not start to see positive employment patterns until 2015, with increases of 0.6% and 1.2%, respectively.

Average compensation rose by 1% in 2014, whereas in the first nine months of 2015 the increase in these costs in the CBQ moderated somewhat to 0.6% (see Table 2). The most recent data show that this slowdown in the growth of wage costs arose mainly in the energy sector, where average wages fell by 1%, in the wholesale & retail trade and accommodation & food services sector, which posted a 0.7% rise, and in the group comprising all other activities, with a rate of 0.2%. Industry and information & communications, on the other hand, saw more marked increases, of 1.4% and 1.8%, respectively, slightly higher than a year earlier.

PERSONNEL COSTS AND EMPLOYEES
Percentage of corporations in specific situations

TABLE 4

	CBI		CBQ (a)			
	2013	2014	2013 Q1-Q4	2014 Q1-Q4	2014 Q1-Q3	2015 Q1-Q3
Number of corporations	610,895	242,905	838	863	879	811
Personnel costs	100	100	100	100	100	100
Falling	36.6	30.4	49.3	41.1	41.6	36.6
Constant or rising	63.4	69.6	50.7	58.9	58.4	63.4
Average number of employees	100	100	100	100	100	100
Falling	24.0	13.5	54.1	48.2	49.0	38.9
Constant or rising	76.0	86.5	45.9	51.8	51.0	61.1

SOURCE: Banco de España.

a Weighted average of the relevant quarters for each column.

EMPLOYMENT

TABLE 5

		Total CBQ corporations 2015 Q1 - Q3	Corporations increasing (or not changing) staff levels	Corporations reducing staff levels
Number of corporations		811	495	316
Number of employees				
Initial situation 2014 Q1-Q3 (000s)		876	565	311
Rate 2015 Q1-Q3 / 2014 Q1-Q3		1.6	4.9	-4.4
Permanent	Initial situation 2014 Q1-Q3 (000s)	746	474	272
	Rate 2015 Q1-Q3/ 2014 Q1-Q3	-0.4	1.8	-4.4
Non-permanent	Initial situation 2014 Q1-Q3 (000s)	130	91	39
	Rate 2015 Q1-Q3/ 2014 Q1-Q3	13.2	20.7	-4.6

SOURCE: Banco de España.

Profit, rates of return and debt

In line with the expansionary pattern of productive activity, GOP also grew in 2014, by 2.2%, as compared with the 3.9% fall of the previous year. The quarterly data show that up to September 2015 GOP growth accelerated to 6.4% year-on-year, up 3.8 pp on the previous year.

Financial revenue fell by 20.2% in 2014 as a result of the significant contraction (28.2%) in dividends received. In the CBQ, financial revenue fell by 4.8% in the period to September 2015 with respect to the same period of the previous year, strongly influenced by the slowdown in interest receipts, which decreased by 12.8%, while revenue from dividends received also fell, albeit much more moderately (0.9%).

Financial costs were down in both 2014 (by 5%) and the first nine months of 2015 (by 9.2%). The decline in this item was due mainly to the lower average cost of debt borne by firms in the two periods (see Table 6). The performance of interest-bearing debt also contributed to the fall in these costs in 2014, whereas in the first three quarters of 2015 it had almost no impact since it increased slightly in comparison to the average level of the same period a year earlier.

FINANCIAL COSTS
Percentages

TABLE 6

	CBI	CBQ	
	2014/2013	2014 Q1-Q4/ 2013 Q1-Q4	2015 Q1-Q3/ 2014 Q1-Q3
Change in financial costs	**-5.0**	**-7.5**	**-9.2**
A Interest on borrowed funds	-4.5	-7.3	-9.7
1 Due to the cost (interest rate)	-3.5	-5.3	-10.0
2 Due to the amount of interest-bearing debt	-1.0	-2.0	0.3
B Other financial costs	-0.5	-0.2	0.5

SOURCE: Banco de España.

Against this background, the E1 debt ratio (which is calculated as the ratio of interest-bearing debt to net assets) fell in 2014. This trend, according to the CBQ data, lasted from January to September 2015, with a decline of just over 1 pp to 42.4% (see Chart 3). Sector by sector, in 2015 to date industry showed a declining course, whereas there were no significant changes in the other sectors. Both the E2 ratio (defined as the ratio of interest-bearing debt to the sum of GOP and financial revenue) and the interest burden ratio (which is calculated with the same denominator) grew slightly in 2014, whereas, according to the CBQ, these two ratios fell in 2015 to date, since in addition to the declines in debt and in financial costs there was an increase in the surpluses which constitute the denominator of these ratios. In both the interest burden ratio and the E2 ratio, the breakdown by sector shows a more marked decline in industry, while in the other sectors the changes were generally scantly significant and of opposing sign. On the whole, the performance of the three indicators reveals that the financial pressure borne by firms is decreasing somewhat.

Expenses relating to depreciation, impairment and operating provisions fell both in 2014 (5%) and in the first nine months of 2015 (3.6%). All in all, ONP fell 5% in 2014, due largely to the unfavourable course of financial revenue. During the first three quarters of 2015, however, the CBQ evidenced a 19.7% rise in this indicator. The behaviour of ordinary profit and financial costs led to a slight reduction in profitability levels in 2014 (0.1 pp), both the return on investment and the return on equity, which stood at 4.1% and 4.5%, respectively. In 2015 to date, profitability ratios rose slightly for the CBQ as a whole; the return on investment grew by 0.1 pp to 4.4% and the return on equity stood at 5.4% as compared with 5.1% in the same period of the previous year.

The latest data reveal high cross-sector dispersion. Thus, wholesale & retail trade, accommodation & food services and industry recorded increases in returns on investment to 8.1% and 8.8%, respectively. In contrast, in the energy and the information & communications sectors and in the group that comprises all other activities there were declines in this indicator (see Table 7).

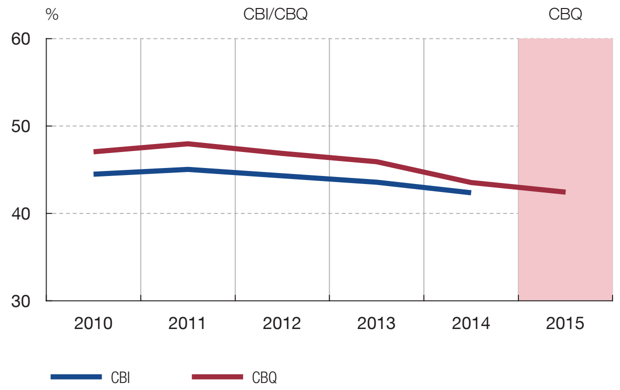
High dispersion was also observed in the analysis of individual data. Thus, for example, while 25% of firms have negative returns on investment, a similar proportion of the sample recorded returns of more than 15% (see Table 8). The micro data also show that during the first nine months of 2015 the percentage of firms with negative returns fell.

The average cost of debt fell by 0.2 pp in 2014 to 3.5% and, according to the CBQ, between January and September 2015 it stood at 3%, down 0.4 pp on the same period of

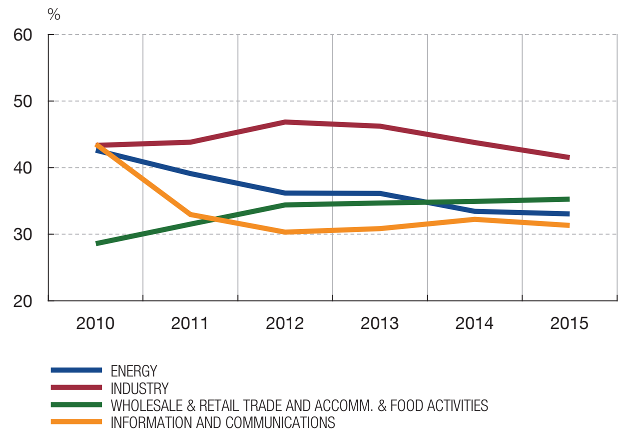
DEBT RATIOS

CHART 3

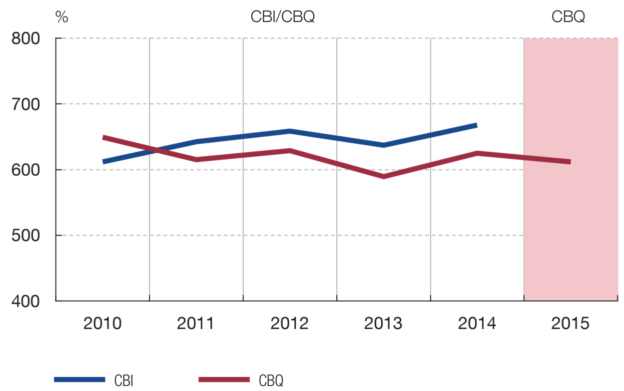
E1. INTEREST-BEARING BORROWING/NET ASSETS (a)
TOTAL CORPORATIONS



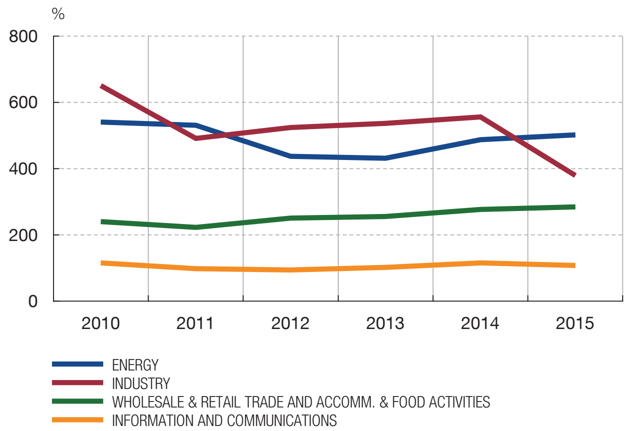
E1. INTEREST-BEARING BORROWING/NET ASSETS (a)
BREAKDOWN BY SECTOR. CBQ



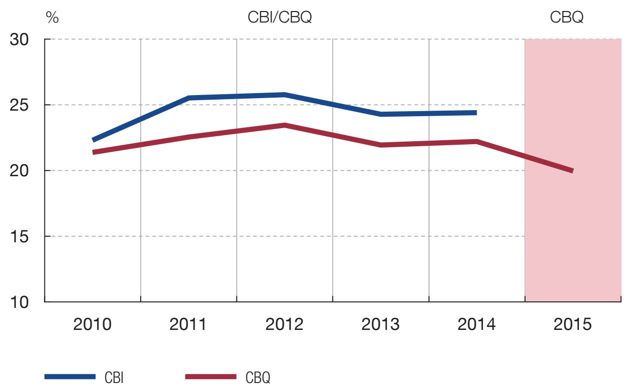
E2. INTEREST-BEARING BORROWING/(GOP + FR) (b)
TOTAL CORPORATIONS



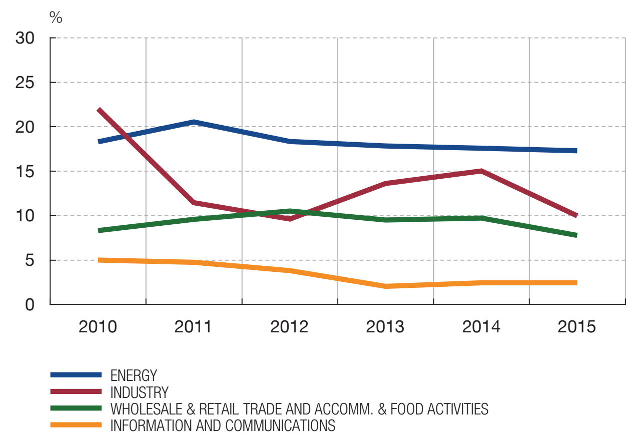
E2. INTEREST-BEARING BORROWING/(GOP + FR) (b)
BREAKDOWN BY SECTOR. CBQ



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).

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

TABLE 7

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 (a)			CBI	CBQ (a)			CBI	CBQ (a)			CBI	CBQ (a)		
	2014	2014 Q1-Q4	2014 Q1-Q3	2015 Q1-Q3	2014	2014 Q1-Q4	2014 Q1-Q3	2015 Q1-Q3	2014	2014 Q1-Q4	2014 Q1-Q3	2015 Q1-Q3	2014	2014 Q1-Q4	2014 Q1-Q3	2015 Q1-Q3
TOTAL	**2.2**	**-1.1**	**2.6**	**6.4**	**-5.0**	**-14.6**	**-0.3**	**19.7**	**4.1**	**5.3**	**4.3**	**4.4**	**0.6**	**1.9**	**0.9**	**1.4**
SIZE																
Small	17.4	—	—	—	88.1	—	—	—	1.8	—	—	—	-1.5	—	—	—
Medium	10.6	8.1	19.2	7.1	29.4	19.6	33.5	7.2	5.2	4.5	4.7	5.5	1.3	1.0	1.1	3.5
Large	0.4	-1.1	2.5	6.4	-9.0	-14.8	-0.4	19.8	4.8	5.3	4.3	4.4	1.2	1.9	0.9	1.4
BREAKDOWN BY ACTIVITY																
Energy	2.9	6.2	6.4	-4.6	-16.0	-11.9	19.2	2.9	3.9	4.8	4.5	4.0	0.4	1.2	0.8	0.8
Industry	8.4	-15.3	1.9	63.7	10.7	-31.8	2.8	137.8	5.7	3.5	3.7	8.8	2.2	0.9	1.2	6.4
Wholesale & retail trade and accommodation & food service activities	4.7	0.1	10.3	5.6	6.3	-4.0	8.0	13.6	5.5	10.1	8.0	8.1	1.9	6.4	4.1	5.3
Information and communications	-11.8	-10.5	-9.8	-6.4	-21.6	-15.7	-14.3	-14.4	9.6	16.2	16.3	15.5	6.3	12.7	12.6	13.4
Other activities	5.7	5.9	7.5	6.1	-4.7	-21.7	-36.5	42.3	3.3	4.5	3.2	2.9	-0.3	1.2	-0.1	-0.1

SOURCE: Banco de España.

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

STRUCTURE OF REPORTING CORPORATIONS' RETURN ON INVESTMENT AND ORDINARY RETURN ON EQUITY

TABLE 8

		CBQ			
		Return on investment (R.1)		Ordinary return on equity (R.3)	
		2014 Q1 - Q3	2015 Q1 - Q3	2014 Q1 - Q3	2015 Q1 - Q3
Number of corporations		879	811	879	811
Percentage of corporations by profitability bracket	R <= 0%	28.3	25.6	33.8	29.9
	0% < R <= 5%	27.5	26.1	17.9	17.7
	5% < R <= 10%	14.0	15.2	11.1	12.1
	10% < R <= 15%	7.9	9.4	6.8	8.6
	R > 15%	22.3	23.7	30.4	31.7
MEMORANDUM ITEM: Average return		4.3	4.4	5.1	5.4

SOURCE: Banco de España.

the previous year. The course of the return on investment, together with that of the cost of debt, translated into a widening of the gap between the two ratios in the two periods under analysis, which was more marked in the first three quarters of 2015, with an increase of 0.5 pp to 1.4%. Sectorally, there was a notable improvement in wholesale & retail trade, accommodation & food services and, especially, in industry, where the gap widened by more than 5 pp to 6.4% in the first three quarters of 2015. In the other sectors the figures for this period were similar or somewhat higher than those obtained in the same period a year earlier.

Finally, extraordinary gains and losses exerted a positive influence on the course of final profit in the two periods under analysis. Thus, 2014 saw a sizable fall in valuation adjustments for impairment and in the losses on the sale of (mainly financial) assets. In the first nine months of 2015, the CBQ sample included some valuation adjustments for increases in the price of financial assets, boosting final profit growth. As a result, profit for the year for the CBI as a whole grew by 158.5% in 2014 (although it should be borne in mind that it started from a historically low level of profit), and in the CBQ up to September 2015 it rose by 28.6%. Expressed as a percentage of GVA, this indicator climbed to 14.7% in 2014 (after having stood at 2% the previous year), while for the CBQ sample in the period of 2015 to date it climbed by more than 8 pp to stand at 27.1%.

18.11.2015.

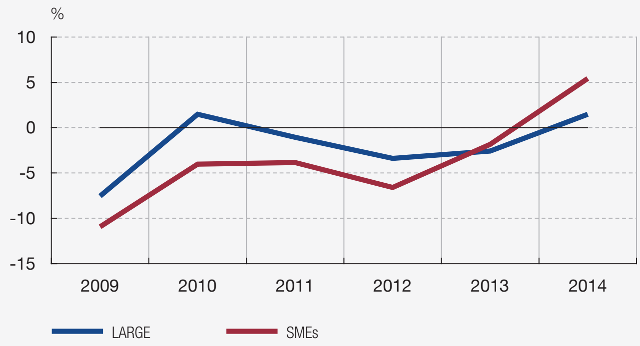
This box analyses the performance of the activity and results of SMEs in the CBI in 2014,[1] the latest available year, for which there are data on slightly over 230,000 firms of this type.[2] GVA of the SMEs in this sample increased last year by 5.4% as compared with a 1.8% decline in 2013, and it is the first year since 2007 in which this indicator has increased (see Chart 1). Also, as in the previous year, the performance of this item in SMEs was more positive than in the aggregate of large corporations, where there was a 1.5% increase. The sector-by-sector information shows that the improvement was across the board, and GVA increased in practically every sector, with the exception of the real estate and electricity sectors. The real estate sector posted a slight decline of 0.4%, much more moderate than the 4.9% decline in the previous year, while the electricity sector was the only aggregate in which GVA performed adversely and much more so than in the previous year.

1 Under the criteria currently used by the Central Balance Sheet Data Office, in accordance with Commission Recommendation 2003/361/EC whereby a firm is considered an SME if it has no more than 250 employees and its assets or net turnover do not exceed a certain threshold (currently set at €50 million and €43 million, respectively). In addition, irrespective of the above criteria, neither state-owned enterprises nor firms belonging to a group that exceeds those thresholds are considered SMEs.

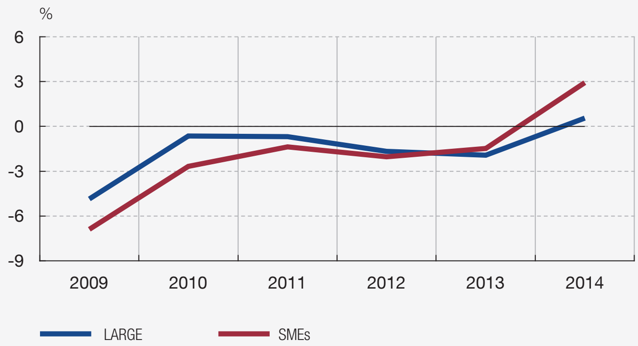
2 The 2014 data are deemed to be estimates, since more information still has to be incorporated in both the CBA and the CBB, raising the final number of firms to close to 600,000.

RESULTS OF SMALL AND MEDIUM-SIZED CORPORATIONS

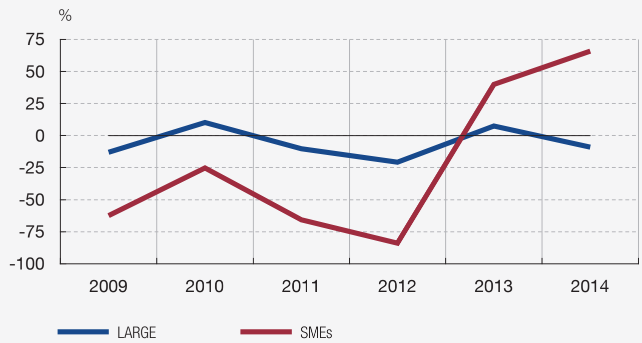
1 GROSS VALUE ADDED AT FACTOR COST
Rate of change



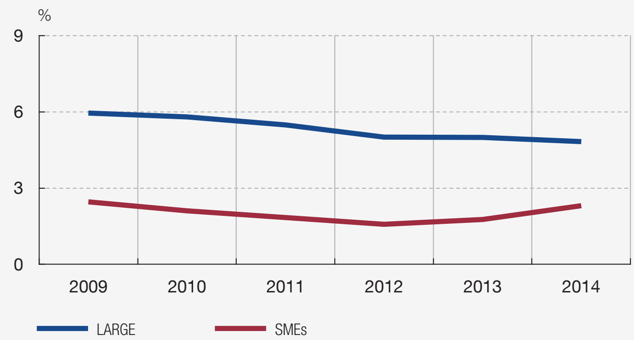
2 EMPLOYMENT
Rate of change



3 ORDINARY NET PROFIT
Rate of change



4 RETURN ON INVESTMENT (R.1)
Ratio



		2009	2010	2011	2012	2013	2014
Number of corporations	Large (a)	12,403	13,208	16,057	20,165	22,689	11,145
	SMEs	548,876	547,419	578,630	609,761	588,206	231,760
% of GVA of sector non-financial corporations	Large (a)	25.4	26.8	27.8	30.4	31.0	24.7
	SMEs	16.4	16.1	17.1	17.3	16.2	6.6

SOURCE: Banco de España.

a In accordance with Commission Recommendation 2003/361/EC, this segment includes state-owned enterprises and firms belonging to a large group.

Personnel costs of SMEs grew by 2.8%, whereas they fell by 2.2% in the previous year. The increase in this item in 2014 was due mainly to the recovery of employment among SMEs (up 2.9%), since average wages remained practically unchanged (down 0.1%). The increase in the average number of workers was greater than among large corporations (0.6%) and contrasted with the 1.5% decline in 2013 (see Chart 2). This development also represents a break in the pattern of continued job destruction since 2009. The breakdown by type of contract reveals that temporary employment rose more sharply (9%), though permanent employment also improved somewhat (1.4%). The sectoral detail shows an increase in the workforce in practically all cases, as well as a more positive performance than in 2013. Worthy of note is the buoyancy of the manufacturing industry and of wholesale and retail trade, the sectors with the largest increases (3.4% and 2.5%, respectively), which account for almost half of the rise reported by the total SMEs in the sample.

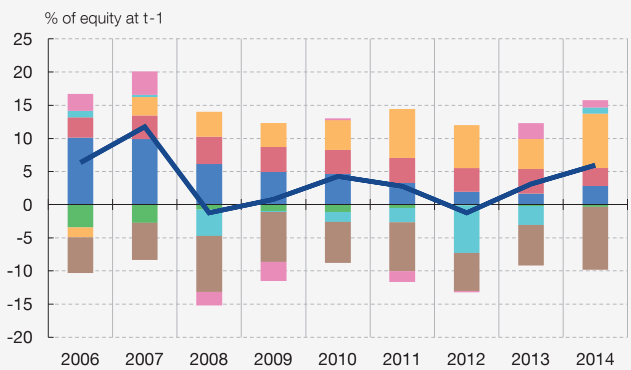
The financial costs of the sample firms fell by 6.8% in 2014, almost half of the fall in the previous year (12.6%), thereby continuing the pattern of decline of this item in recent years. This development is due to both the deleveraging of these firms and the lower average cost of debt, which was down 0.2 pp to 3.4%. As a result of this performance and of the recovery in operating profit, the ordinary net profit of these firms rose for the second year in a row, at a very high rate of 65.9%, exceeding the 39.9% increase of the previous year (see Chart 3). This translated into a recovery of the return on investment, up 0.5 pp on 2013 to 2.3%, although it remained below the ROI of the large corporations (see Chart 4). The sectoral detail shows a widespread increase in profitability levels. The higher return on investment, together with the slight decrease in cost of debt, led to a notable improvement in the gap between these two ratios of 0.7 pp, albeit still in negative figures (-1.1%).

In short, on the CBI data available, SME activity improved in 2014, which promoted the recovery of their ordinary profit and employment. Also, for the second year running, this performance was more positive than that of large corporations. All of this translated into a notable increase in profitability levels which, together with a decline in the cost of debt, allowed the gap between the two ratios to continue to improve.

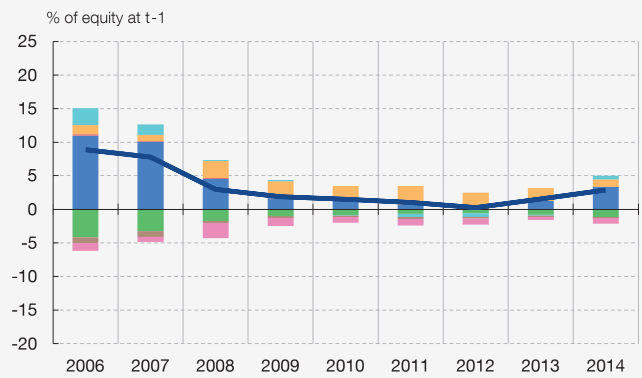
This box assesses the impact of the recent economic crisis on firms' equity and its recent evolution. To this end, the CBI data are used to analyse the behaviour of equity and the main items that help explain the changes therein, broken down by size of firm and sector of activity.

The CBI data point to a notable slowdown in growth in equity from 2008 to 2012. Thus, while the average increase in this item in the period from 2005 to 2007 was 9.3%, this percentage fell to 1.2% in the period from 2008 to 2012. In the same vein, the proportion of firms in the sample posting increases in equity also fell, from an

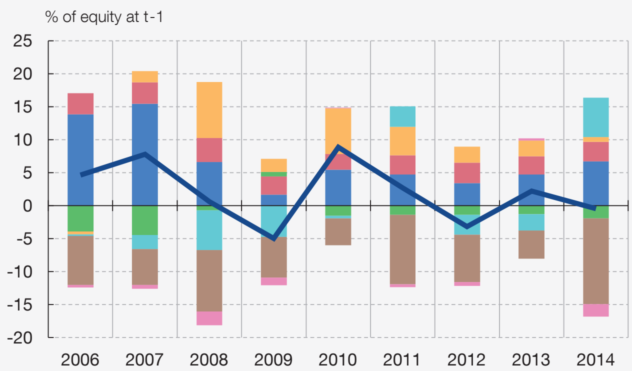
1 LARGE (a)



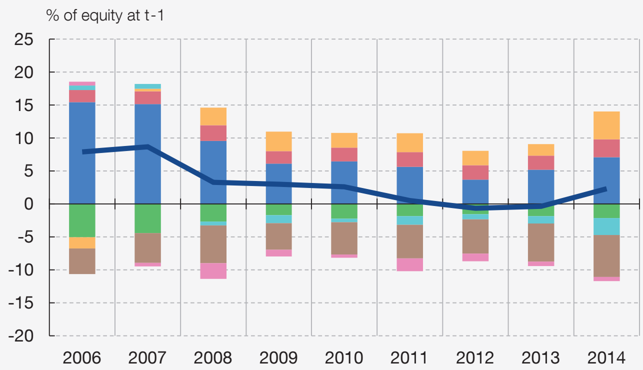
2 SMEs (a)



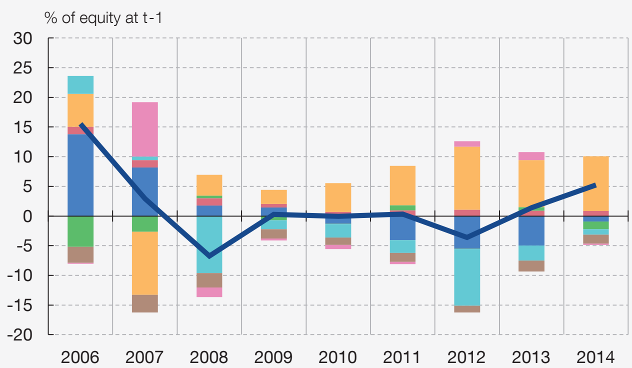
3 INDUSTRY



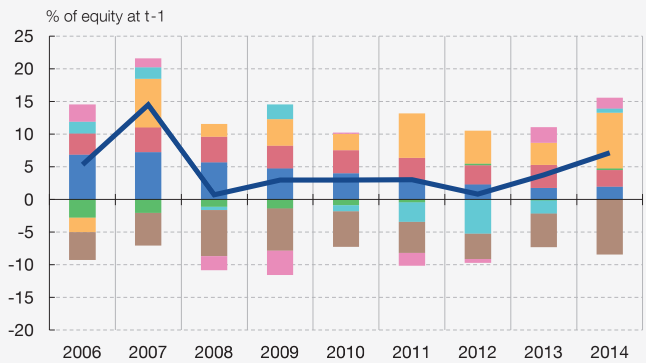
4 WHOLESALE & RETAIL TRADE AND ACCOMMODATION & FOOD SERVICE ACTIVITIES



5 CONSTRUCTION AND REAL ESTATE ACTIVITIES



6 OTHER SECTORS



ONP, EXCL. DIVIDENDS RECEIVED
EXTRAORDINARY GAINS (LOSSES)
DIVIDENDS RECEIVED
DIVIDENDS DISTRIBUTED
CORPORATE INCOME TAX
OTHER VARIATIONS
CAPITAL INCREASES/REDUCTIONS
CHANGE IN EQUITY

SOURCE: Banco de España.

a Firm sizes are defined in accordance with the Commission Recommendation (2003/361/EC).

average of 66% from 2005 to 2007 to 50.1% in 2012, the lowest figure in this series. This slowdown was linked mainly to the deterioration of ordinary profit (excluding dividends received), while other factors also played a significant role in explaining the evolution of this item, albeit to different degrees depending on the size of the firm and the sector of activity.

Thus, in the case of large corporations, the extraordinary losses recorded in those years –mainly losses on the sale of assets and impairment losses on financial and real estate assets– which were particularly high in 2008 and 2012 (see Chart 1), also had a considerable impact. The decline in operating and extraordinary income was partly offset by shareholder contributions (largely capital increases) and income from dividends received (basically as returns on investments abroad). All of this contributed to the large corporations being able to maintain, or even increase, the volume of dividends distributed with respect to the pre-crisis years.

In SMEs, on the other hand, the decline in operating profit was partially mitigated by the higher shareholder contributions which, as in the case of the large corporations, increased during the crisis (see Chart 2). Extraordinary profit was, on average, modest, much more so than for the major corporations, as were the dividends received and distributed.

In the last two years of the period under analysis, both large corporations and SMEs experienced an upswing in equity, and in 2014 the growth rate rose to 6% and 2.8%, respectively, boosted by the greater momentum of economic activity and, as a result, of corporate profit. The most recent data, obtained from the CBQ sample, suggests that the equity of the firms in this sample increased in 2015 to date, albeit somewhat more moderately than in the previous year. The sector-by-sector analysis of changes in equity also reveals different patterns in the various sectors during the crisis. Thus, for example, the equity of firms in industry showed high volatility throughout the period under analysis (see Chart 3), mainly as a reflection of the strongly pro-cyclical nature of this segment's activity. In contrast, in wholesale & retail trade and accommodation & food services, equity was more stable, with increasingly modest growth and a slight downturn in 2012 (see Chart 4). As for the construction and real estate sector, which was hardest hit by the recession, there were zero or negative changes in equity between 2008 and 2012 (see Chart 5). The sharp deterioration in the profit generated by the ordinary activity of this sector, together with the copious extraordinary losses (particularly in 2008 and 2012), explains this performance, which was only partially offset by capital increases carried out mainly by large corporations. Lastly, the group comprising other activities, including those of holding and parent companies, held on a steadier course (see Chart 6), to which both shareholder contributions in these years and dividend income received from subsidiaries abroad contributed. In the 2013-2014 period there was a relatively widespread pick-up in equity, except in industry.

In short, the rate of growth in equity of non-financial corporations fell substantially from 2008 to 2012, basically as a result of the slowdown in corporate results in this period of crisis. Nevertheless, this item continued to show positive changes in almost every year in most of the groupings considered in this box. A more detailed analysis, however, reveals some differences in behaviour depending on sector and firm size. Thus, there was a more marked slowdown in the construction & real estate, wholesale & retail trade and accommodation & food services sectors. By size, while among SMEs the contributions of shareholder funds were the main source of resources used to offset the impact of the decline in profit on equity in this period, in the large corporations the dividends received and distributed also played a significant role as a source of change therein. The most recent data reveal progressively more marked growth rates after 2013, favoured basically by the recovery in economic activity. This development, together with deleveraging, is helping strengthen firms' solvency.