

RESULTS OF NON-FINANCIAL CORPORATIONS IN 2010 Q1

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Overview¹

In 2010 Q1, business activity picked up somewhat at the non-financial corporations reporting their data to the Central Balance Sheet Data Office Quarterly Survey (CBQ), continuing in the pattern that emerged in the last stretch of 2009. In the sample overall, gross value added (GVA) rose by 2.6% to March 2010, as compared to a decrease of 12.5% in 2009 Q1. This positive performance extended to virtually all sample firms, irrespective of size or sector, and was accompanied by greater momentum in both imports and exports.

In turn, personnel costs fell by 1.7% in 2010 Q1, in comparison with a fall of 1.2% a year earlier. This quickening of the rate of decline of personnel costs is due to greater containment of wage costs, and to the continued sharp fall in employment at corporations reporting to the CBQ. Thus, the workforce adjustment in 2010 Q1 was just as severe as in 2009 (in both periods the average number of employees fell by 2.8%). As regards wage costs, average compensation rose by 1.1% in 2010 Q1, more than 0.5 pp less than a year earlier (1.7%), with a very homogeneous performance in all sectors of the sample. Further, as in recent quarters, the brunt of the fall in employment was borne by temporary employment, which fell by 8.5%, although this is a slowdown in the pace of decline. Conversely, the fall in permanent employment quickened slightly, to -1.8%. All sectors of activity, without exception, cut their workforces in 2010 Q1. The most severe job losses were in industry (-4.1%) and in wholesale and retail trade and accommodation and food service activities (-3.3%).

As a result of the pick-up in productive activity and the decline in personnel costs, sample firms' gross operating profit (GOP) rose by 6.5% in 2010 Q1, in sharp contrast to the fall of 20.9% recorded in 2009 Q1. In turn, financial revenue and financial costs decreased significantly in the quarter, due to the delayed effects of lower interest rates, which affected revenue and costs, the lower dividends received and stabilisation of debt levels at CBQ corporations (which remained virtually unchanged in the quarter). In any event, the decline in financial revenue and costs resulted in growth in ordinary net profit (ONP) of 10.2%, slightly higher than the growth in GOP and in marked contrast to the decrease of 31.2% recorded a year earlier. In turn, growth in ONP prompted an increase in returns at sample firms as compared with 2009 Q1; thus, return on investment stood at 4.4% in 2010 Q1, an increase of 0.2 pp on the previous year and one that was widespread across all sectors of productive activity. As a result of this minor increase in return on investment, and of the decrease in the ratio that measures the cost of debt, the difference between these two ratios was positive (1.2) in 2010 Q1, and 0.8 pp higher than in 2009 Q1 when it stood at 0.4.

Lastly, extraordinary costs and revenue made a marginal contribution to results in 2010 Q1, as there were no significant extraordinary transactions. In comparison with a year earlier, gains from disposals declined (due to share disposals in 2009 Q1), corporate income tax rose and fair value losses also rose, albeit very marginally. These transactions were small in comparison with a year earlier, resulting in lower growth in net profit than in ONP. That said, net profit (profit for the year) rose by 4.8% to March 2010, in sharp contrast to a year earlier when it fell by 27.9%.

1. The information that serves as a basis for this article is that sent by the 703 corporations that had voluntarily reported their quarterly data to the Central Balance Sheet Data Office (CBSO) as at 14 June 2010. The GVA generated by this aggregate accounts for 13.6% of the total GVA of non-financial corporations.

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

TABLE 1

	CBA STRUCTURE	CBA		CBQ (a)		
	2008	2007	2008	09 Q1-Q4/ 08 Q1-Q4 (a)	09 Q1/ 08 Q1	10 Q1/ 09 Q1
DATABASES						
Number of corporations		9,243	8,206	778	820	703
Total national coverage		33.7%	27.8%	12.4%	13.8%	13.6%
PROFIT AND LOSS ACCOUNT						
1 VALUE OF OUTPUT (including subsidies)	100.0	8.0	0.1	-11.8	-17.1	13.9
<i>Of which:</i>						
— Net amount of turnover and other operating income	147.3	5.9	1.4	-12.5	-15.4	11.6
2 INPUTS (including taxes)	67.4	8.7	1.6	-13.4	-19.6	20.9
<i>Of which:</i>						
— Net purchases	95.0	4.4	1.1	-20.9	-30.6	44.5
— Other operating costs	21.2	8.9	1.4	-4.4	-2.5	0.7
S.1 GROSS VALUE ADDED AT FACTOR COST [1 – 2]	32.6	6.4	-2.9	-8.5	-12.5	2.6
3 Personnel costs	18.0	6.9	3.4	-1.5	-1.2	-1.7
S.2 GROSS OPERATING PROFIT [S.1 – 3]	14.6	5.9	-9.7	-14.3	-20.9	6.5
4 Financial revenue	5.9	19.4	9.5	-8.6	-20.7	-18.3
5 Financial costs	5.1	38.1	14.8	-30.8	-21.3	-15.6
6 Net depreciation, impairment and operating provisions	6.4	-0.2	15.0	-3.6	-0.9	5.7
S.3 ORDINARY NET PROFIT [S.2 + 4 – 5 – 6]	8.9	4.2	-22.4	-5.5	-31.2	10.2
7 Gains (losses) from disposals and impairment (c)	-2.1	-34.2	(b)	(b)	(b)	-50.3
7' As a percentage of GVA (7 / S.1)		2.7	-6.4	2.4	5.2	3.0
8 Changes in fair value and other gains (losses) (c)	-1.1	39.1	-51.2	-25.8	(b)	90.7
8' As a percentage of GVA (8 / S.1)		-1.6	-3.4	-1.9	-5.3	-0.4
9 Corporate income tax	0.7	-15.3	-66.1	19.7	-32.5	40.3
S.4 NET PROFIT [S.3 + 7 + 8 – 9]	4.9	8.6	-47.3	16.5	-27.9	4.8
S.4' As a percentage of GVA (S.4 / S.1))		25.5	15.1	32.0	20.9	21.4
PROFIT RATIOS						
	Formulas (d)					
R.1 Return on investment (before taxes)	(S.3 + 5.1) / NA	8.9	7.6	6.3	4.2	4.4
R.2 Interest on borrowed funds / interest-bearing borrowing	5.1 / IBB	4.8	5.0	3.4	3.8	3.2
R.3 Ordinary return on equity (before taxes)	S.3 / E	12.5	9.9	8.8	4.6	5.4
R.4 ROI – cost of debt (R.1 – R.2)	R.1 – R.2	4.1	2.6	2.9	0.4	1.2

SOURCE: Banco de España.

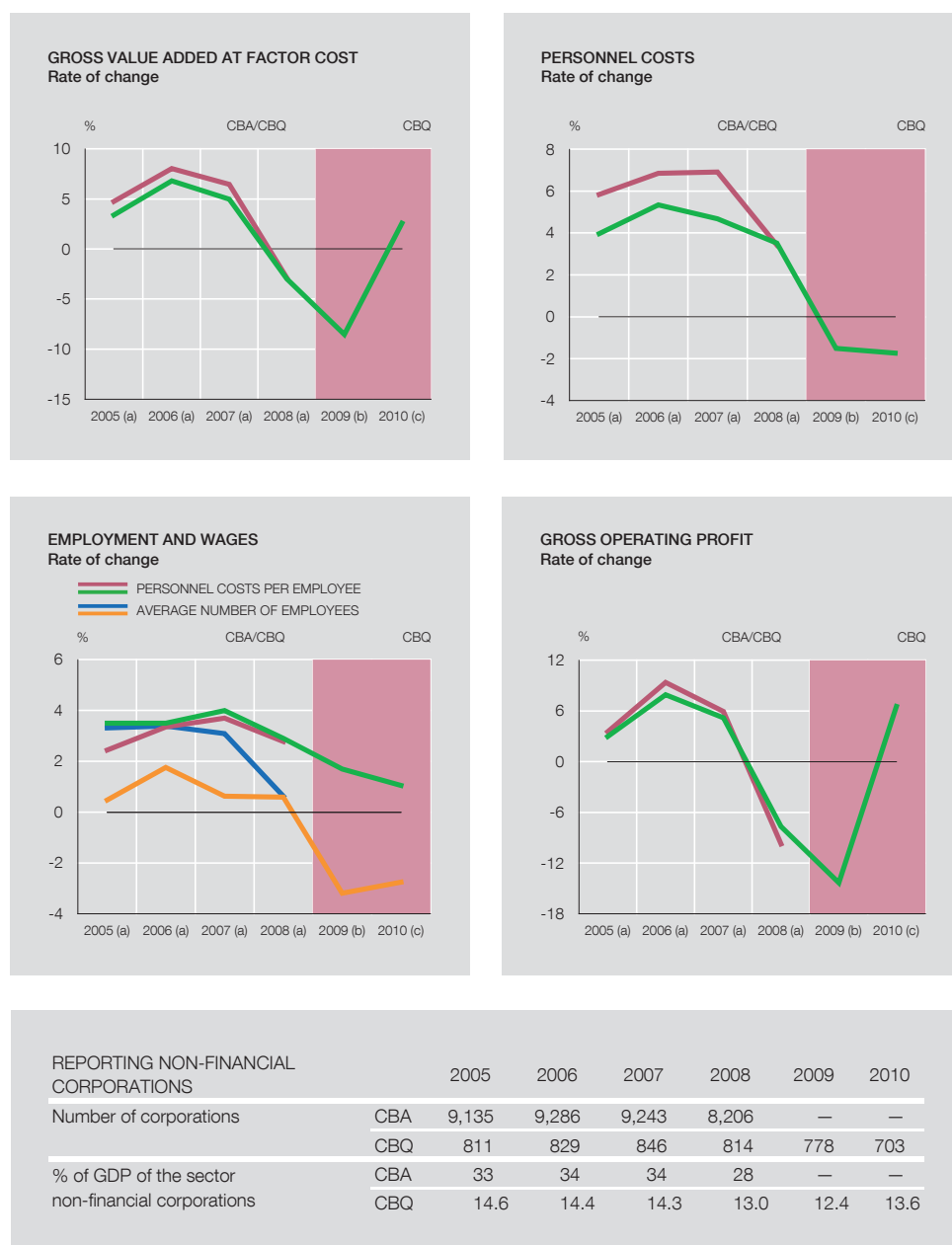
- a. All the data in these columns have been calculated as the weighted average of the quarterly data.
b. Rate not significant or not calculable because the relevant figures are of opposite sign.
c. New P&L headings resulting from application of the new General Chart of Accounts (PGC 2007).
d. NA = Net 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).

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

To sum up, the gradual and moderate pick-up in firms' productive activity seen in the final stretch of 2009 continued in 2010 Q1. Moreover, the decline in both personnel and financial costs meant that a growing number of corporations and productive sectors were able to report growth in profits, with higher returns on investment in comparison with 2009 Q1. However, there was no improvement in employment, which continued to head down, or in business investment to accompany this incipient growth in activity at CBQ firms.

Activity

There was a moderate pick-up in productive activity at the corporations reporting to the CBQ in 2010 Q1, after a year in which gross value added (GVA) deteriorated significantly, with signs of incipient recovery evident only in the last few months. Thus, GVA rose by 2.6% in 2010 Q1 (see Table 1 and Chart 1), in comparison with a fall of 12.5% in 2009 Q1. Production and inputs were also



SOURCE: Banco de España.

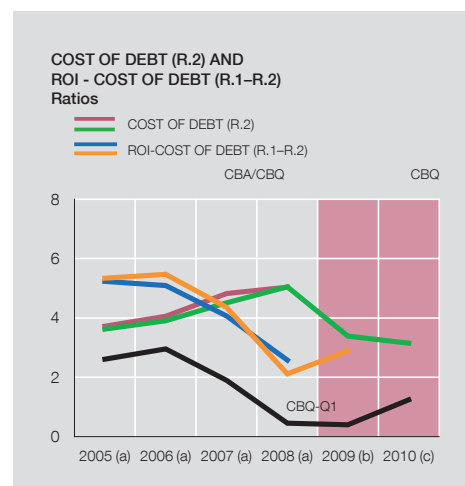
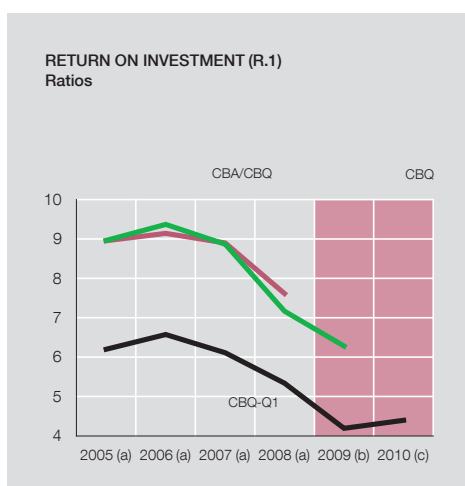
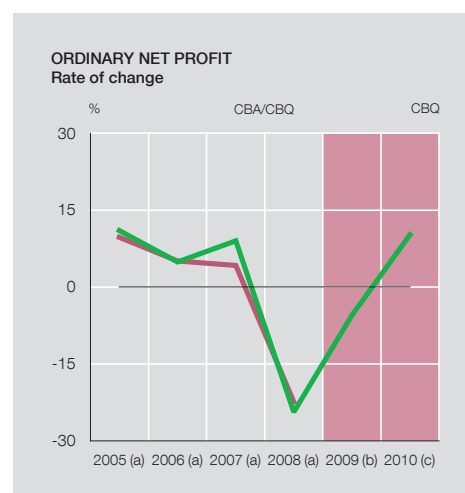
a. 2005, 2006, 2007 and 2008 data drawn from corporations reporting to the annual survey (CBA), and average data of the four quarters of each year in relation to the previous year (CBQ).

b. Average of the first four quarters of 2009 relative to the same period of 2008.

c. Data for 2010 Q1 versus 2009 Q1.

more dynamic, with growth rates in the period of 13.9% and 20.9%, respectively, in marked contrast to the negative growth rates (-17.1% and -19.6%, respectively) seen a year earlier. External activity also showed greater dynamism, as both exports and imports posted higher rates of growth (18.3% and 28.7%, respectively) to March 2010. It must be taken into account, however, that these year-on-year growth rates compare with 2009 Q1, when the recession was at its peak.

A more detailed analysis (see Table 2.A) shows that the recovery extended to virtually all sectors of activity, with the exception of information and communications. This was the only one in which GVA continued to decline (-5.8%) in 2010 Q1, as a result of the poor performance of telecom-



REPORTING NON-FINANCIAL CORPORATIONS		2005	2006	2007	2008	2009	2010
Number of corporations	CBA	9,135	9,286	9,243	8,206	—	—
	CBQ	811	829	846	814	778	703
% of GDP of the sector non-financial corporations	CBA	33	34	34	28	—	—
	CBQ	14.6	14.4	14.3	13.0	12.4	13.6

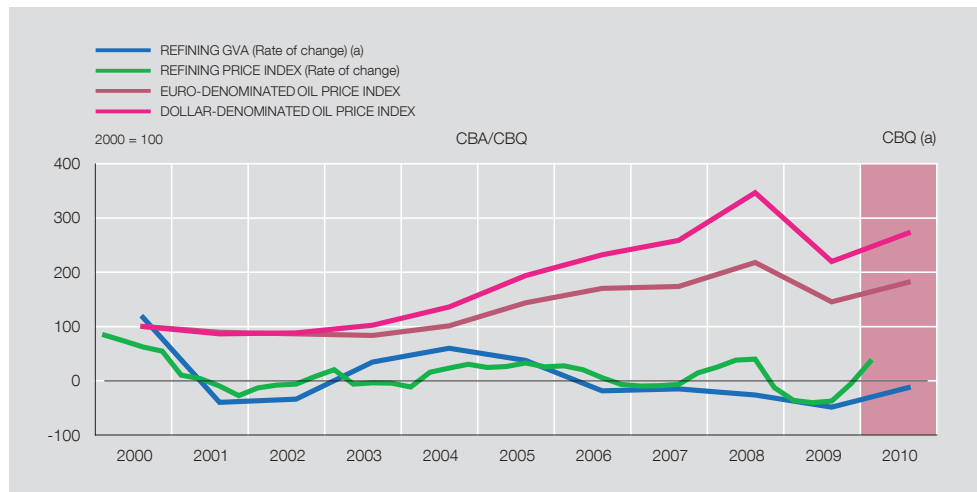
SOURCE: Banco de España.

a. 2005, 2006, 2007 and 2008 data drawn from corporations reporting to the annual survey (CBA), and average data of the four quarters of each year in relation to the previous year (CBQ).

b. Average for the four quarters if 2009 relative to the same period of 2008.

c. Data for 2010 Q1 relative to the same period of 2009.

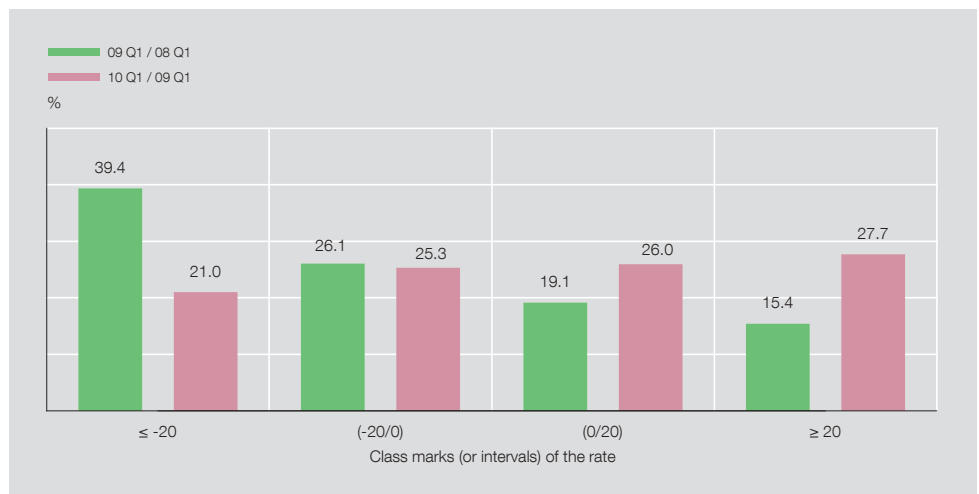
munications companies. Among the other sectors, industry was particularly noteworthy, posting the highest increase in GVA (13.8%), from the low level of 2009 Q1 when it contracted by 35.3%. Energy firms and those engaging in wholesale and retail trade and accommodation and food service activities also recorded sharp increases in GVA (around 6% in both cases) in the quarter. Thus, GVA at wholesale and retail trade and accommodation and food service activity firms rose by 6.8%, in keeping with the incipient recovery in private consumption in the quarter and in contrast to 2009 Q1 when their value added fell by 12.9%. In turn, GVA at energy sector companies to March 2010 rose by 5.9%, mainly owing to increased momentum in the utility subsec-



SOURCES: Banco de España and Ministerio de Industria, Turismo y Comercio (Informe mensual de precios).

a. 2009 data relate to the CBQ.

DISTRIBUTION OF CORPORATIONS BY RATE OF CHANGE IN GVA AT FACTOR COST



SOURCE: Banco de España.

tor (electricity, gas and water) where GVA rose by 6.9%. This positive performance was due to higher electricity demand (which, on Red Eléctrica data, rose by 4.3% in 2010 Q1) and lower generating costs borne by the electric utilities, as a result of the high rainfall levels in the quarter that meant that the bulk of the electricity generated came from hydroelectric plants. In the other large energy subsector, oil refining corporations saw a sharp fall in their GVA (-12.7%), as a result of rising crude oil prices against a backdrop of shrinking operating margins (see Chart 2). Lastly, the sector that covers all other activities recorded very modest growth (1.1%), which was, nevertheless, a significant improvement on a year earlier when GVA fell by 8.7%.

Chart 3 presents qualitative data on the breakdown of sample firms, irrespective of their size or sector, by rate of change of GVA. The first conclusion to be drawn is that the percentage of

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

TABLE 2.A

Rates of change of the same corporations on the same period a year earlier

	GROSS VALUE ADDED AT FACTOR COST				EMPLOYEES (AVERAGE FOR PERIOD)				PERSONNEL COSTS				COMPENSATION PER EMPLOYEE			
	CBA	CBQ			CBA	CBQ			CBA	CBQ			CBA	CBQ		
	2008	09 Q1- Q4 (a)	09 Q1	10 Q1	2008	09 Q1- Q4 (a)	09 Q1	10 Q1	2008	09 Q1- Q4 (a)	09 Q1	10 Q1	2008	09 Q1- Q4 (a)	09 Q1	10 Q1
Total	-2.9	-8.5	-12.5	2.6	0.6	-3.2	-2.8	-2.8	3.4	-1.5	-1.2	-1.7	2.8	1.7	1.7	1.1
SIZE:																
Small	-8.6	—	—	—	-3.7	—	—	—	2.1	—	—	—	6.1	—	—	—
Medium	-3.5	-14.2	-13.5	1.8	-1.1	-6.2	-5.9	-4.3	4.0	-5.2	-4.5	-3.1	5.2	1.0	1.5	1.2
Large	-2.7	-8.3	-12.5	2.6	1.0	-3.0	-2.6	-2.7	3.4	-1.3	-1.0	-1.7	2.4	1.7	1.6	1.0
BREAKDOWN BY ACTIVITY:																
Energy	3.0	-7.2	-8.5	5.9	3.5	0.0	0.6	-2.2	6.0	1.1	3.8	-2.0	2.4	1.1	3.2	0.2
Industry	-9.8	-23.2	-35.3	13.8	-1.7	-6.2	-5.2	-4.1	1.3	-6.9	-5.9	-3.0	3.1	-0.8	-0.8	1.2
Wholesale & retail trade and accommodation & food service activities	-1.5	-6.7	-12.9	6.8	0.9	-5.8	-5.7	-3.3	3.5	-4.9	-8.2	-2.2	2.6	0.9	-2.7	1.1
Information and communication	0.4	-6.5	-5.9	-5.8	-0.3	-0.8	0.1	-2.8	1.9	1.0	1.9	-0.5	2.2	1.8	1.8	2.3
Other activities	-2.8	-5.2	-8.7	1.1	1.2	-0.8	-0.6	-2.0	4.5	1.4	2.7	-1.4	3.3	2.2	3.3	0.6

companies whose GVA has increased rose significantly, to 53.7%, in 2010 Q1; this is almost 20 pp more than a year earlier (35.4%) and is proof that the pick-up in activity has gradually spread to a greater number of firms. The chart also shows a substantial shift towards the higher GVA growth segments; thus, the percentage of companies whose GVA has risen by more than 20% has almost doubled, from just over 15% in 2009 Q1 to almost 28% to March 2010.

**Employment and
personnel costs**

In 2010 Q1, personnel costs fell by 1.7%, amplifying the rate of decline in 2009 (-1.2%). As then, this decrease was due to the fall in employment in the period. It is also connected with the lower rate of growth in average compensation, which rose by 1.1% in the quarter, as compared with an increase of 1.7% a year earlier.

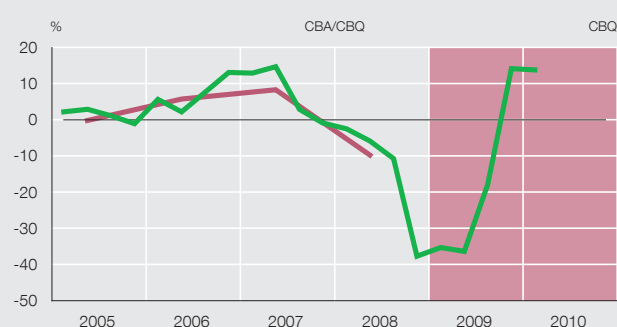
The average number of employees at corporations reporting to the CBQ fell by 2.8% in 2010 Q1, a rate of decline identical to that recorded a year earlier, despite the incipient pick-up in activity. The adverse employment performance stems from the workforce adjustments that continued to be seen in most firms that make up the CBQ sample. The brunt of these adjustments was borne by temporary employment, which fell by 8.5%, although this is a slowdown in comparison with 2009 when the rate of decline verged on 16%. Permanent employment also fell, albeit to a lesser extent (-1.8%), but this is a deterioration in comparison with 2009 when permanent employment fell by 0.3% in Q1 and by 0.8% in the year as a whole. An analysis by sector (see Table 2.A) shows that employment declined in all sectors of activity, but with a varying degree of intensity. Thus, both the industry and the wholesale and retail trade and accommodation and food service activity aggregates continued to record the sharpest falls in employment, although in both cases with an improvement on the previous year. The average number of employees at industrial firms fell by 4.1% to March 2010, against -5.2% in 2009, while in the wholesale and retail trade and accommodation and food service activity aggregate the workforce cuts moderated, from -5.7% in 2009 to -3.3% in 2010 Q1. Other sectors of activity recorded smaller cuts, from -2% in the other activities aggregate to -2.8% in the information and communications sector, although in all these cases employment fell more sharply than in 2009. Lastly, the data in

The data compiled by the CBQ on industrial corporations reflect a pick-up in their productive activity in 2010 Q1. Thus, their GVA rose by 13.8% to March, in sharp contrast to the severe contraction (-35.3%) recorded in 2009 Q1. This improvement was assisted by the recovery in external activity, with notable growth both in exports and imports, in light of the gradual revival in world trade. However, not all industrial subsectors recorded an equally positive performance. Thus, while some subsectors, such as chemicals or manufacture of mineral and metal products, posted strong growth in GVA (42.9% and 55%, respectively), activity at others, such as manufacture of computer and electronic products or the food industry, continued to contract in 2010 Q1. In turn, in keeping with past performance, personnel costs continued to head down, falling by 3% in the quarter. This is a consequence of the extensive workforce adjustments, which affected virtually all industrial subsectors and led to a cut of 4.1% in the

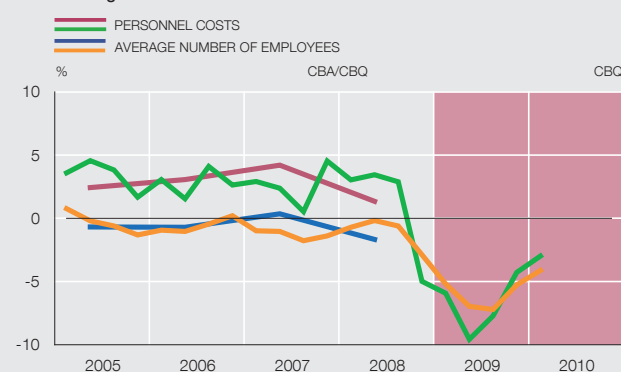
average number of employees in the sector. As in the quarterly sample as a whole, average compensation in the sector was contained, growing by 1.2% in the period. The slight pick-up in activity, on the one hand, and the decrease in personnel costs, on the other, meant that ordinary profit rose sharply in 2010 Q1, representing a significant reversal of trend as compared with a year earlier. Thus, gross operating profit (GOP) rose by 78.2% in 2010 Q1, regaining the ground lost in the severe contraction (-70.3%) recorded in 2009. Once the decrease in financial costs and revenue in the quarter is discounted, ordinary net profit (ONP) also rose substantially, in contrast to the negative values recorded in 2009 Q1. The growth in ONP prompted a pick-up in returns in 2010; thus, return on investment stood at 3.4%, an increase of slightly more than 2.5 pp on a year earlier (0.7%). There was also a clear improvement in return on equity, which, at 3.5%, moved back into positive territory (from -2.4% in 2009 Q1). In turn, the

PERFORMANCE OF THE INDUSTRIAL CORPORATIONS REPORTING TO THE CBSO

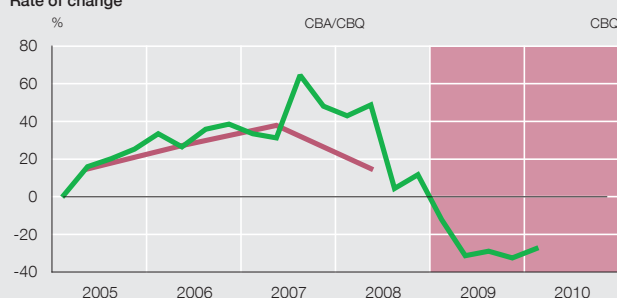
GROSS VALUE ADDED AT FACTOR COST
Rate of change



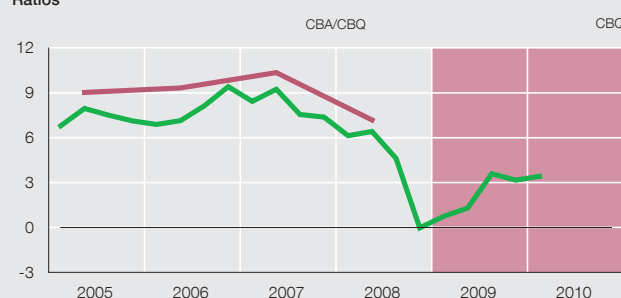
EMPLOYMENT AND WAGES
Rate of change



FINANCIAL COSTS
Rate of change



RETURN ON INVESTMENT
Ratios



REPORTING INDUSTRIAL CORPORATIONS

		2005				2006				2007				2008				2009				2,010			
Number of corporations	CBA	2,410				2,397				2,356				2,069				—				—			
	CBQ	320	309	302	294	315	300	288	279	309	299	285	280	283	272	258	246	246	242	233	208	188	—	—	—
% of GDP of the sub-sector industrial corporations	CBA	28.7				31.1				33.6				24.5				0.0				—			
	CBQ	19.1	19.6	16.9	17.1	18.5	17.5	16.3	17.4	19.4	19.6	16.6	17.0	16.2	16.2	12.8	8.8	10.4	10.6	11.9	10.8	9.6	—	—	—

SOURCE: Banco de España.

ratio that measures the cost of debt continued to decline in 2010 Q1, to 3.3%, 0.5 pp lower than a year earlier. This prompted a recovery in the difference between the return on investment and financial costs, from the clearly negative values seen in 2009 Q1 (-3.1) to just above zero (0.1) in 2010 Q1. This latter figure sums up, to a great extent, the present situation of the industrial sector, where the signs of improvement in productive activity in 2010 Q1

prompted growth in both ordinary profit and returns. However, this pick-up in activity has still to extend to all sector aggregates, and to pass through into employment generation, as industrial corporations reporting to the CBSO continue to destroy jobs. Accordingly, data on coming quarters are needed in order to determine to what extent the incipient turnaround seen in 2010 Q1 may prove to be a firm change in trend.

Table 4 confirm that most sample firms (59.8%) continued to make cuts in their average workforce, although the percentage is slightly lower than in 2009 (61%).

Average compensation continued to moderate in 2010 Q1, growing by 1.1%, 0.6 pp less than a year earlier. Thus, there was further containment of wage costs at corporations reporting to the CBQ, against a backdrop of lower wage increases negotiated in collective bargaining agreements and low inflation rates (0.8% at end-2009). Wage growth was very similar in virtually all sectors, averaging approximately 1%. Thus, wage costs in both the industry and the wholesale and retail trade and accommodation and food service activity aggregates rose by 1.2%, while in the energy sector and the other activities aggregate wage costs rose by just 0.2% and 0.6%, respectively. In fact only the information and communications sector reported higher growth (2.3%) in average compensation in 2010 Q1. Lastly mention should be made of the figures presented in Table 2.B, which distinguishes between corporations that maintained or increased their average staff levels and those that made workforce cuts. The table shows an above-average increase (1.8%) in average compensation in the group of firms where average staff levels fell, and a decline in personnel costs per employee (-2.1%) in the quarter in the group of firms where average staff levels rose (or remained the same). However, it should be noted that wage growth was also moderate in the group of firms where the average workforce was cut, confirming that wage cost containment is firming up and extending to most corporations in the sample.

Profits, rates of return and debt

Gross operating profit (GOP) rose by 6.5% in 2010 Q1, due to the increased buoyancy of productive activity and the decline in personnel costs resulting from the continued fall in employment. The pick-up in GOP represents a quite significant change in trend as compared with 2009 Q1 when it deteriorated considerably (-20.9%). Moreover, as was the case throughout 2009, financial costs declined in 2010 Q1 (-15.6%), prompting an attendant decline in their relative importance in non-financial corporations' results. In turn, the ratio that measures the interest burden (interest on borrowed funds/GOP + financial revenue) continued in the downward path seen since 2008, falling to levels similar to those recorded in 2007, confirming the beneficial effect the decline in financial costs is having on the business cost structure (see Chart 4).

The following table analyses the factors behind the decline in financial costs in 2010:

	<u>10 Q1 / 09 Q1</u>
Change in financial costs	-15.6%
A. <i>Interest on borrowed funds (1 + 2)</i>	-17.1%
1 Due to the cost (interest rate)	-17.2%
2 Due to the amount of interest-bearing debt	0.1%
B. <i>Commissions and cash discounts</i>	1.5%

EMPLOYMENT AND PERSONNEL COSTS
Details based on changes in staff levels

TABLE 2.B

	TOTAL CBQ CORPORATIONS 2010 Q1	CORPORATIONS INCREASING (OR NOT CHANGING) STAFF LEVELS	CORPORATIONS REDUCING STAFF LEVELS
Number of corporations	703	309	394
PERSONNEL COSTS:			
Initial situation 09 Q1 (€m)	7,118.6	2,124.0	4,994.6
Rate 10 Q1 / 09 Q1	-1.7	2.0	-3.3
AVERAGE COMPENSATION:			
Initial situation 09 Q1 (€)	11,291.0	13,805.1	10,479.4
Rate 10 Q1 / 09 Q1	1.1	-2.1	1.8
NUMBER OF EMPLOYEES:			
Initial situation 09 Q1 (000s)	631	154	477
Rate 10 Q1 / 09 Q1	-2.8	4.2	-5.0
Permanent			
Initial situation 09 Q1 (000s)	541	129	412
Rate 10 Q1 / 09 Q1	-1.8	3.7	-3.5
Non-permanent			
Initial situation 09 Q1 (000s)	90	25	65
Rate 10 Q1 / 09 Q1	-8.5	6.7	-14.3

SOURCE: Banco de España.

As the figures show, the decline in financial costs in 2010 Q1 was due exclusively to the lower interest rates, with no impact from changes in debt levels. The successive interest rate cuts made since 2009 were gradually passed through to firms' financial costs and results; in consequence, the ratio that measures the financial cost stood at 3.2% in 2010 Q1, 0.6 pp lower than in 2009 Q1. This is its lowest value throughout the time series, signifying, in turn, that little room remains for further decline. Debt, which is the other determinant of financial costs, underwent no substantial change in the sample firms, against a backdrop of sluggish investment. Indeed, the data compiled by the CBQ to approximate business investment indicate that gross fixed capital formation fell by 18.8% in 2010 Q1 in the CBQ sample overall, affecting all activity aggregates. The E1 and E2 ratios (see Chart 4) may be used to complete the analysis of firms' debt levels and their financial position. The E1 ratio shows that debt levels traced a very stable path, with values very similar to those recorded in 2009; moreover, this was true of both components of the ratio (interest-bearing borrowing and net assets), in keeping with the absence of large-scale investment and debt transactions. In turn, the E2 ratio was practically stable in 2010 Q1, in contrast to the gentle increase seen since 2004. This was due both to the positive influence of the containment of borrowing and the increase in GVA (the ratio denominator) in the quarter.

Financial revenue fell sharply to March 2010 (-18.3%), due to the dip in dividends received (-3.3%) and, especially, to the sharp decline in interest received as consideration for loans and deposits (-30.2%). The combined impact of lower financial costs and revenue and higher depreciation and operating provisions (which rose by 5.7%) resulted in growth in ONP of 10.2% in 2010 Q1, in marked contrast to the sharp decline (-31.2%) of a year earlier. In keeping with the GVA and GOP performance described above, ONP rose in virtually all sectors of activity of the sample, with the sole exception of information and communications where it fell by 10.2%. In any event, the combined performance of ONP and financial costs (the numerator used to calculate the return on investment) prompted a pick-up in returns in 2010 Q1. Thus, return on investment (R.1) stood at

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

TABLE 3

		CBA	CBQ (a)		
		2008	09 Q1-Q4 (a)	2009 Q1	2010 Q1
Total corporations		8,206	778	703	703
Corporations reporting source/destination		8,206	727	670	670
Percentage of net purchases by source	Spain	65.5	84.0	85.3	84.8
	Total abroad	34.5	16.0	14.7	15.2
	<i>EU countries</i>	17.2	11.1	9.9	10.3
	<i>Third countries</i>	17.3	4.9	4.8	4.9
Percentage of net turnover by destination	Spain	84.7	91.8	91.9	91.3
	Total abroad	15.3	8.2	8.1	8.7
	<i>EU countries</i>	10.3	6.0	4.9	5.8
	<i>Third countries</i>	5.1	2.2	3.2	2.9
Net external demand (exports less imports), rate of change	<i>Industry</i>	-19.1	125.1	57.9	-57.8
	<i>Other corporations</i>	1.4	34.6	51.0	96.7

SOURCE: Banco de España.

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

PERSONNEL COSTS, EMPLOYEES AND AVERAGE COMPENSATION PER EMPLOYEE
Percentage of corporations in specific situations

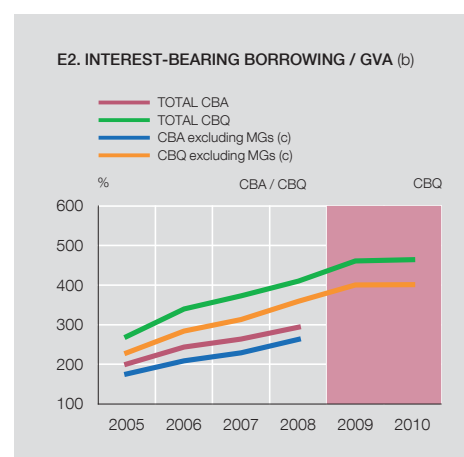
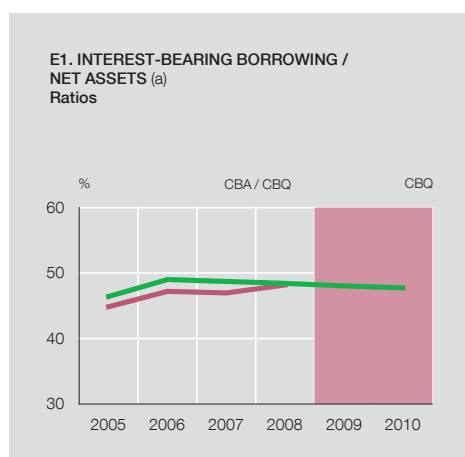
TABLE 4

	CBA		CBQ (a)			
	2007	2008	08 Q1 - Q4 (a)	09 Q1 - Q4 (a)	2009 Q1	2010 Q1
Number of corporations	9,243	8,206	814	778	820	703
PERSONNEL COSTS	100	92	100	100	100	100
Falling	25.9	29.5	33.4	57.0	54.0	55.6
Constant or rising	73.8	62.2	66.6	43.0	46.0	44.4
AVERAGE NUMBER OF EMPLOYEES	100	92	100	100	100	100
Falling	31.3	38.2	46.2	62.4	61.0	59.8
Constant or rising	68.3	53.5	53.8	37.6	39.0	40.2

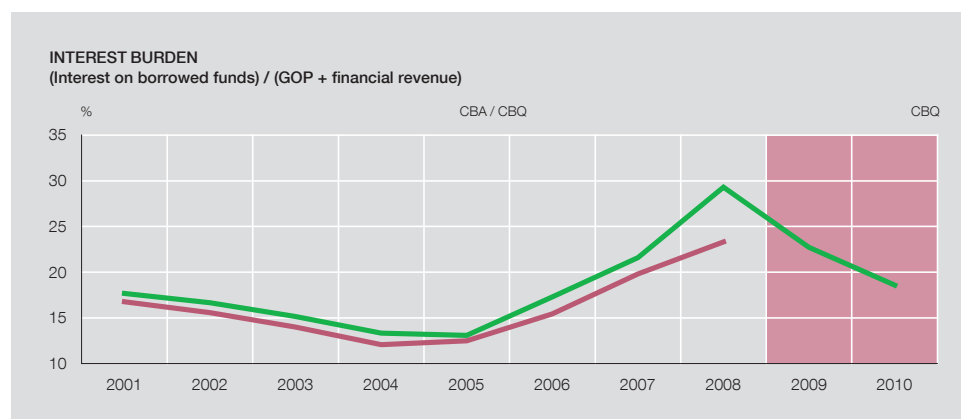
SOURCE: Banco de España.

a. Weighted average of the relevant quarters for each column.

4.4% to March 2010, 0.2 pp higher than a year earlier. Return on equity also performed favourably, standing at 5.4%, an increase of 0.8 pp on 2009 Q1. In fact, returns in all sectors were similar to or slightly higher than a year earlier, showing that this positive performance extended to a growing number of CBQ sample firms. This is further confirmed by the data presented in Table 6, which offers a breakdown by level of return. Thus, in the case of return on investment (R.1), the percentage of corporations with positive returns rose by 3 pp, to 67.3% (from 64.4% in 2009), while in the case of return on equity (R.3), this percentage rose to 63.7%, almost 6 pp above the 2009 Q1 figure (57.9%). Lastly, the small increase in the return on investment ratio, together with the decline in financial costs, meant that the difference between the two was positive (1.2) in 2010 Q1 and higher than a year earlier (0.4), representing a turnaround in the trend of previous quarters.



	2005	2006	2007	2008	2009	2010
CBA	200.7	243.5	263.5	293.4		
CBQ	270.2	339.7	373.2	409.7	461.0	464.4
CBA excl. MGs	175.8	208.6	229.2	263.2		
CBQ excl. MGs	228.7	283.9	313.0	359.0	400.5	401.4



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
CBA	16.8	15.6	14.0	12.1	12.5	15.4	19.8	23.3		
CBQ	17.7	16.7	15.2	13.3	13.1	17.3	21.6	29.3	22.7	18.6

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 intragroup debt (approximation of consolidated debt).

c. MGs: sample corporations belonging to the main reporting multinational groups. These do not include the large construction companies.

**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

TABLE 5

	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)		
	2008	09 Q1-Q4 (a)	09 Q1	10 Q1	2008	09 Q1-Q4 (a)	09 Q1	10 Q1	2008	09 Q1-Q4 (a)	09 Q1	10 Q1	2008	09 Q1-Q4 (a)	09 Q1	10 Q1
Total	-9.7	-14.3	-20.9	6.5	-22.4	-5.5	-31.2	10.2	7.6	6.3	4.2	4.4	2.6	2.9	0.4	1.2
SIZE:																
Small	-27.0	—	—	—	-50.0	—	—	—	4.3	—	—	—	0.3	—	—	—
Medium	-14.2	-26.2	-25.9	9.8	-29.6	-40.7	-40.4	28.3	6.0	4.1	3.7	5.1	1.4	0.5	-0.4	2.5
Large	-9.0	-13.9	-20.8	6.5	-21.4	-4.4	-30.9	9.7	7.7	6.3	4.2	4.4	2.7	2.9	0.4	1.2
BREAKDOWN BY ACTIVITY:																
Energy	1.6	-9.4	-11.4	8.2	-1.9	0.0	-15.9	11.6	7.7	7.3	5.5	5.0	2.8	3.8	1.6	1.8
Industry	-22.8	-49.3	-70.3	78.2	-34.6	-44.8	(b)	(b)	7.2	2.8	0.7	3.4	2.0	-0.9	-3.1	0.1
Wholesale & retail trade and accommodation & food service activities	-8.2	-10.2	-20.3	22.5	-17.6	-15.8	-34.1	82.7	8.9	4.8	6.0	7.2	3.7	1.4	1.8	3.5
Information and communication	-0.3	-8.6	-8.1	-7.7	6.0	-15.7	-11.5	-10.2	23.6	28.2	28.2	29.8	18.1	23.3	23.0	25.9
Other activities	-18.8	-18.9	-29.7	7.9	-61.7	(b)	(b)	(b)	5.8	5.1	2.5	2.4	0.9	0.6	-1.2	-0.6

SOURCE: Banco de España.

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

TABLE 6

		CBQ (a)			
		RETURN ON INVESTMENT (R.1)		ORDINARY RETURN ON EQUITY (R.3)	
		2009 Q1	2010 Q1	2009 Q1	2010 Q1
Number of corporations		820	703	820	703
Percentage of corporations by profitability bracket	R ≤ 0%	35.6	32.7	42.1	36.3
	0% < R ≤ 5%	26.7	28.7	18.5	21.9
	5% < R ≤ 10%	13.8	13.7	9.5	10.9
	10% < R ≤ 15%	5.7	5.4	5.7	6.2
	15% < R	18.2	19.5	24.1	24.7
MEMORANDUM ITEM: Average return		4.2	4.4	4.6	5.4

SOURCE: Banco de España.

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

To conclude, an analysis of extraordinary costs and revenue shows that extraordinary revenue fell considerably in terms of rate of change, as there were no significant transactions in 2010 Q1, as compared with 2009 Q1 when substantial capital gains were obtained from share disposals. All the above, along with the increase in corporate income tax, dented net profit growth somewhat in comparison with the rate of growth of ONP and GOP; thus, net profit rose by 4.8% to March 2010, in marked contrast to the severe contraction (-27.9%) recorded a year earlier.

14.6.2010.