

RESULTS OF NON-FINANCIAL CORPORATIONS TO 2009 Q4 AND SUMMARY
YEAR-END DATA

Overview¹

The information gathered by the Central Balance Sheet Data Office Quarterly Survey (CBQ) to 2009 Q4 represents the preliminary results of changes in the year as a whole experienced by non-financial corporations. These preliminary results will be finalised, in November 2010, with the dissemination of the results of the Central Balance Sheet Data Office Annual Survey (CBA), which includes a broader sample of corporations and provides more detailed information. The quarterly data provided by the CBQ confirms the sharp contraction in the rate of productive activity of non-financial corporations in 2009, reflected in the drop of 9.5% in their gross value added (GVA), in comparison with a decline of 3.1% in 2008 (see Table 1 and Chart 1). This negative performance extended across all sectors of activity, but it was especially severe in the industrial sector, where GVA fell by 24.6% as a result of the decline in investment in capital goods and in the sub-sectors most closely linked to construction. GVA in the energy sector also fell very significantly in 2009 (-11.6%), in this case as a result of the decline both in electricity demand and crude oil prices and of the narrowing of margins at the refining companies. However, the rates of decline of activity in 2009 are less negative than those analysed in the previous article on the results of non-financial corporations of the first three quarters of the year, due to the marginal improvement in GVA in 2009 Q4.

Personnel costs headed down throughout 2009, falling by 1.6%, in comparison with the increase of 3.5% recorded in 2008 (see Table 2.A). This decline in personnel costs is due to the moderation in growth of average compensation, and especially to the decrease in the average number of employees, which declined by 2.7% in 2009. This was a widespread decrease, across all sectors of activity and affecting corporations of all sizes, although, as in the case of productive activity, the sharpest cuts in the average number of employees were in the industrial sector (-6.1%). Temporary employment bore the brunt of this workforce restructuring, falling by 15.1%, while permanent employment declined by just 0.4%. In turn, average compensation continued to grow moderately, at a rate of 1.1%, in 2009, clearly below the 2008 figure (2.9%). This containment of wage costs was also widespread across all sectors of activity and corporations of all sizes in the sample, against a backdrop of lower wage increases in collective bargaining agreements that have begun to reflect the climate of low inflation rates and labour demand.

The decline in personnel costs was not sufficient to offset the sharp contraction in productive activity. Accordingly, gross operating profit (GOP) fell at a rate of 15.9% in 2009, the highest rate of decline recorded in the entire quarterly series. Once again this performance was widespread across all sectors of activity and affected corporations of all sizes in the CBQ sample, although, as in the case of productive activity, GOP recorded a positive performance in 2009 Q4, after falling during the first three quarters of the year.

Financial costs and revenue both declined in 2009, as a result of the interest rate cuts. In the case of financial revenue, which fell by 10.4%, the increase in the dividends received from (mainly foreign) subsidiaries (5.5%) was insufficient to offset the impact of lower interest rates on the interest received. The decline in financial costs, which was even more acute (-28.7% in the year as a whole), was due purely to the above-mentioned lower interest rates, as debt levels remained virtually unchanged, against a backdrop of sluggish investment. The com-

1. The information which serves as a basis for this article is that sent by the 730 corporations which, on average, have reported their data to the Central Balance Sheet Data Office to 15 March 2010. The GVA generated by this aggregate accounts for 11.6% of the total GVA of non-financial corporations for said period.

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

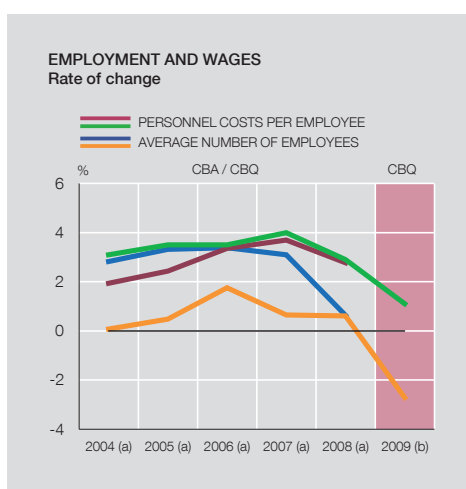
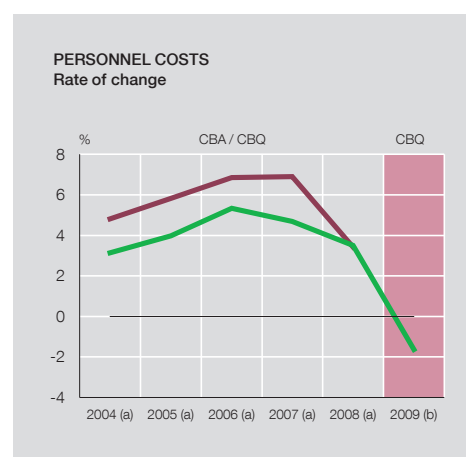
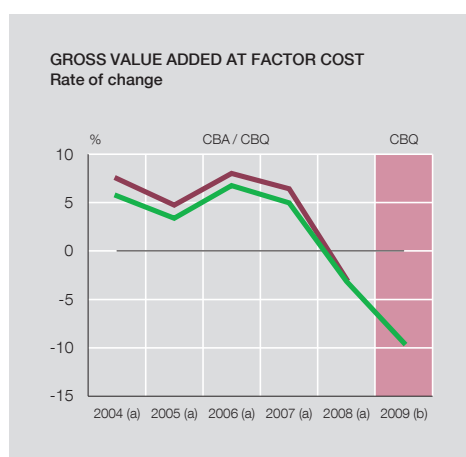
TABLE 1

	CBA STRUCTURE	CBA		CBQ (a)		
	2008	2007	2008	07 Q1-Q4/ 06 Q1-Q4	08 Q1-Q4/ 07 Q1-Q4	09 Q1-Q4/ 08 Q1-Q4
DATABASES						
Number of corporations		9,243	8,206	846	814	730
Total national coverage		33,7%	27,8%	14,3%	13,0%	11,6%
PROFIT AND LOSS ACCOUNT						
1 VALUE OF OUTPUT (including subsidies)	100.0	8.0	0.1	6.4	0.7	-14.2
<i>Of which:</i>						
— Net amount of turnover and other operating income	147.3	5.9	1.4	4.0	0.1	-14.4
2 INPUTS (including taxes)	67.4	8.7	1.6	7.1	2.7	-16.6
<i>Of which:</i>						
— Net purchases	95.0	4.4	1.1	4.6	0.5	-24.7
— Other operating costs	21.2	8.9	1.4	7.8	5.2	-4.8
S.1 GROSS VALUE ADDED AT FACTOR COST [1 – 2]	32.6	6.4	-2.9	5.0	-3.1	-9.5
3 Personnel costs	18.0	6.9	3.4	4.7	3.5	-1.6
S.2 GROSS OPERATING PROFIT [S.1 – 3]	14.6	5.9	-9.7	5.2	-7.9	-15.9
4 Financial revenue	5.9	19.4	9.5	34.6	11.7	-10.4
5 Financial costs	5.1	38.1	14.8	37.8	18.7	-28.7
6 Net depreciation, impairment and operating provisions	6.4	-0.2	15.0	-0.9	16.6	-5.4
S.3 ORDINARY NET PROFIT [S.2 + 4 – 5 – 6]	8.9	4.2	-22.4	9.0	-24.2	-10.3
7 Gains (losses) from disposals and impairment (c)	-2.1	-34.2	(b)	-5.9	(b)	(b)
7' As a percentage of GVA (7/S.1)		2.7	-6.4	11.8	-9.5	6.1
8. Changes in fair value and other gains (losses) (c)	-1.1	39.1	-51.2	-15.9	(b)	(b)
8' As a percentage of GVA (8/S.1)		-1.6	-3.4	-8.9	-3.1	-1.0
9 Corporate income tax	0.7	-15.3	-66.1	-29.0	-88.8	-2.6
S.4 NET PROFIT [S.3 + 7 – 8]	4.9	8.6	-47.3	12.3	-50.8	11.9
S.4'. As a percentage of GVA (S.4/S.1)		25.5	15.1	38.1	16.8	20.8
PROFIT RATIOS						
R.1 Ordinary return on investment (before taxes)	(S.3 + 5.1) / PN	8.9	7.6	8.9	7.2	6.1
R.2 Interest on borrowed funds/interest-bearing borrowing	5.1 / RAC	4.8	5.0	4.5	5.1	3.4
R.3 Ordinary return on equity (before taxes)	S.3 / PN	12.5	9.9	13.0	9.1	8.4
R.4 ROI – cost of debt (R.1 – R.2)	R.1 – R.2	4.1	2.6	4.4	2.1	2.7

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

bined performance of financial costs and revenue had a positive impact on the profit and loss account, owing to the marginal increase in dividends, mentioned earlier, and the heightening of the impact of lower interest rates on financial costs. Lastly, net depreciation and operating provisions fell at a rate of 5.4% in 2009, in contrast to the extraordinary rate of growth recorded in 2008, when the real estate sector companies corrected the overvaluation of their stocks, making high provisions for the depreciation in value of their commercial property. The decline in this item in 2009, together with the above-mentioned behaviour of financial costs and revenue, moderated the negative performance of gross operating profit (GOP), resulting in a drop of 10.3% in ordinary net profit (ONP). This decrease in ONP was also widespread across all the sample sectors, save in "Other activities" where the increase in dividends received by the holding companies and the decline in real estate sector provisions were more significant. The scale of these operations also explains why the GOP performance at larger



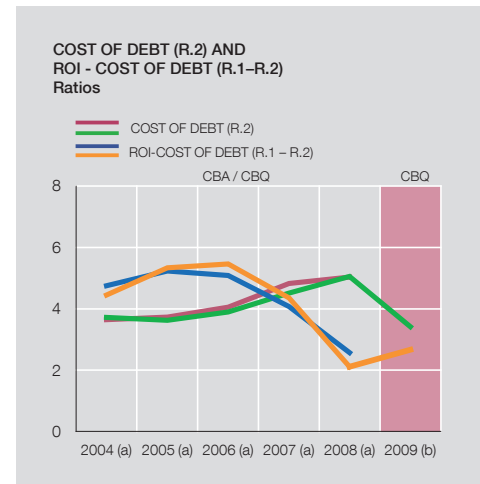
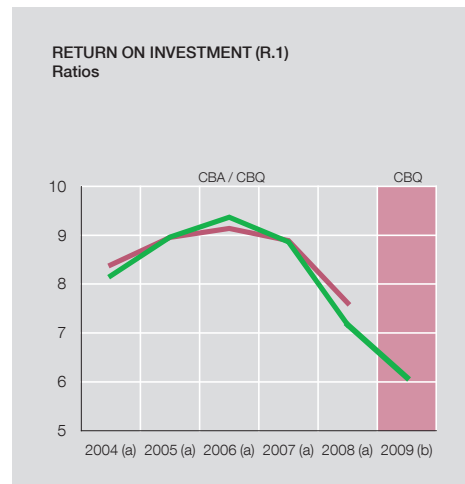
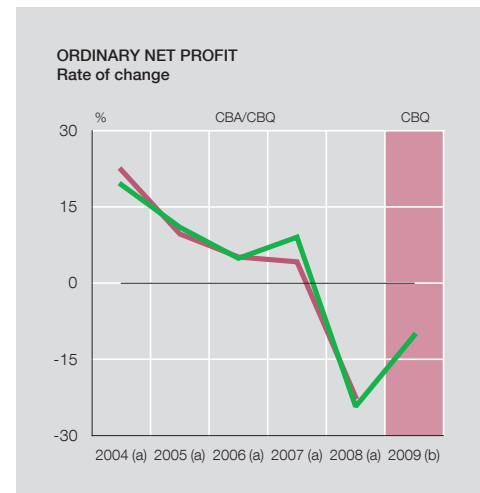
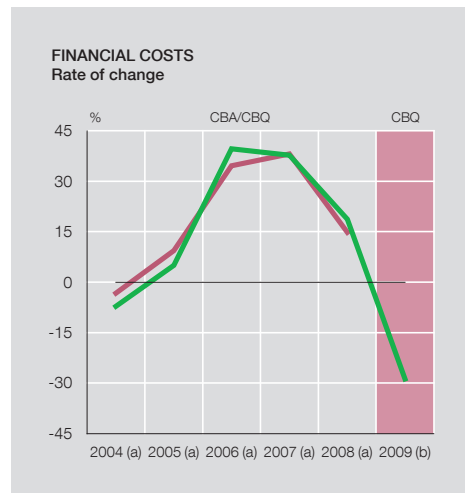
REPORTING NON-FINANCIAL CORPORATIONS		2004	2005	2006	2007	2008	2009
Number of corporations	CBA	9,056	9,135	9,286	9,243	8,206	—
	CBQ	830	811	829	846	814	730
% of GDP of the sector non-financial corporations	CBA	32	33	34	34	28	—
	CBQ	14.9	14.6	14.4	14.3	13.0	11.6

SOURCE: Banco de España.

a. 2004, 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 in 2008.

sample firms was much less negative than at their medium-sized peers. Lastly, as indicated earlier in connection with the quarterly profile of GVA, it should be noted that ONP posted positive growth rates in most of the sectors analysed in 2009 Q4.

ONP and financial costs combined (the numerator used to calculate ROI) headed down throughout 2009, prompting a worsening of the ratios measuring corporate profitability. Thus, return on investment (R.1) stood at 6.1%, slightly more than 1 pp below the figure a year earlier (7.2%), and return on equity (R.3) at 8.4% in 2009, below the 2008 figure of 9.1%. In turn, the ratio that measures the cost of debt (R.2) fell in 2009 as a result of the interest rate cuts, standing at 3.4%, slightly more than 1.5 pp below the 2008 figure (5.1%). This decrease in the



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cost of debt offset the decline in returns, meaning that the ratio that measures the difference between ROI and the cost of debt remained positive in 2009 at 2.7, slightly higher than the 2008 figure (2.1). By sector of activity, the poor performance of the industrial sector was notable, as this ratio was negative in 2009 (-0.9), reflecting the severity of the deterioration in productive activity and surpluses at industrial firms. By contrast, both the wholesale and retail trade and accommodation and food service activities, and the information and communication aggregates improved slightly in 2009, in comparison with a year earlier.

Lastly, an analysis of extraordinary items in 2009 underlines a sharp reduction in extraordinary costs, mainly due to the strong depreciation of financial assets in 2008 owing to the drop in share prices. Also, in 2009 extraordinary revenue was posted as a result of realised gains (on the sale of financial assets) and of unrealised gains (from the recovery in value of large corpora-

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

TABLE 2.A

Growth rate 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 (a)		CBA		CBQ (a)		CBA		CBQ (a)		CBA		CBQ (a)	
	2007	2008	08 Q1 -Q4	09 Q1 -Q4	2007	2008	08 Q1 -Q4	09 Q1 -Q4	2007	2008	08 Q1 -Q4	09 Q1 -Q4	2007	2008	08 Q1 -Q4	09 Q1 -Q4
Total	6.4	-2.9	-3.1	-9.5	3.1	0.6	0.6	-2.7	6.9	3.4	3.5	-1.6	3.7	2.8	2.9	1.1
SIZE:																
Small	3.4	-8.6	—	—	-0.4	-3.7	—	—	5.0	2.1	—	—	5.4	6.1	—	—
Medium	6.0	-3.5	-1.0	-14.3	1.8	-1.1	-2.2	-5.9	6.7	4.0	2.5	-5.1	4.8	5.2	4.8	0.9
Large	6.6	-2.7	-3.2	-9.3	3.4	1.0	0.8	-2.5	7.0	3.4	3.6	-1.5	3.5	2.4	2.7	1.1
BREAKDOWN BY ACTIVITY:																
Energy	2.7	3.0	2.2	-11.6	2.4	3.5	2.2	-0.1	5.9	6.0	4.4	1.3	3.4	2.4	2.1	1.4
Industry	8.3	-9.8	-12.9	-24.6	0.4	-1.7	-1.0	-6.1	4.2	1.3	1.2	-6.9	3.8	3.1	2.3	-0.9
Wholesale & retail trade and accommodation & food service activities	7.0	-1.5	-4.4	-6.1	4.0	0.9	2.0	-4.3	7.2	3.5	4.3	-4.9	3.1	2.6	2.3	-0.7
Information and communication	7.6	0.4	-1.0	-5.9	0.5	-0.3	-2.6	-0.7	4.8	1.9	0.0	1.1	4.3	2.2	2.7	1.8
Other activities	5.6	-2.8	-2.8	-4.9	4.4	1.2	1.1	-0.6	9.4	4.5	5.2	1.2	4.8	3.3	4.1	1.8

SOURCE: Banco de España.

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

**EMPLOYMENT AND PERSONNEL COSTS
Details based on changes in staff levels**

TABLE 2.B

	TOTAL CBQ CORPORATIONS 2009 Q1 - Q4	CORPORATIONS INCREASING (OR NOT CHANGING) STAFF LEVELS	CORPORATIONS REDUCING STAFF LEVELS
Number of corporations	730	294	436
PERSONNEL COSTS:			
Initial situation 08 Q1-Q4 (€m)	28,433.2	10,805.4	17,627.8
Rate 09 Q1-Q4/ 08 Q1-Q4	-1.6	5.1	-5.8
AVERAGE COMPENSATION:			
Initial situation 08 Q1-Q4	44,575.0	47,000.4	43,208.3
Rate 09 Q1-Q4/ 08 Q1-Q4	1.1	-0.6	1.9
NUMBER OF EMPLOYEES:			
Initial situation 08 Q1-Q4 (000s)	638	230	408
Rate 09 Q1-Q4/ 08 Q1-Q4	-2.7	5.8	-7.5
Permanent			
Initial situation 08 Q1-Q4 (000s)	538	192	346
Rate 09 Q1-Q4/ 08 Q1-Q4	-0.4	4.0	-2.8
Non-permanent			
Initial situation 08 Q1-Q4 (000s)	100	38	62
Rate 09 Q1-Q4/ 08 Q1-Q4	-15.1	14.8	-33.2

SOURCE: Banco de España.

tions' share portfolios, for which provisions had been recorded previously in 2008). Extraordinary items had a completely mixed impact in 2008 and 2009, prompting an increase in net profit which grew by 11.9% in 2009 and accounted for 20.8% of GVA, far below its all-time high of 38.1% in 2007. However, this increase centred on certain large corporations in the sample, where extraordinary items had a greater impact in 2008 and 2009.

In short, in 2009 there was a widespread sharp contraction in the productive activity of non-financial corporations, which notably hampered their capacity to generate surpluses and create employment. At the same time, corporations adjusted both wage and financial costs, boosted by a backdrop of smaller price rises, lower interest rates and more stable debt levels. However, profitability levels continued to fall throughout 2009. Finally, the completely mixed impact of extraordinary items in the last two years triggered a recovery in profit in 2009 with respect to 2008, although profit levels remained notably lower than in 2007.

Activity

The productive activity of non-financial corporations experienced a severe contraction in 2009, prompting a strong deterioration of 9.5% in GVA, which was higher than the decline of 3.1% in 2008. This contraction of activity is particularly noticeable when analysing the main GVA items: output and inputs fell considerably in 2009 by 14.2% and 16.6%, respectively. However, the Q4 data show a moderately positive change in GVA which slightly softens the decline recorded for the year as a whole. External activity's positive contribution to GDP continued throughout the year thanks to the rise in net external demand, although this was because of a sharper slowdown in imports than exports throughout the period (see Table 3).

By sector, the contraction of activity in 2009 as a whole affected all aggregates across the board. Nevertheless, the industrial sector continued to experience the sharpest adjustment of productive activity. Its GVA posted a decline of 24.6% for 2009 as a whole, nearly double that for 2008 (a negative rate of 12.9%), as a result of the impact of worsening capital goods investment and of the decline in the industrial sub-sectors most closely linked to construction. Also, the energy sector's GVA decreased significantly by 11.6% in 2009 (it had risen by 2.2% the previous year) mainly due to the performance of oil refining firms and utility companies (electricity, gas and water). In the case of the former, GVA fell by 50.4% due to the contraction of surpluses at refining companies in view of sharp falls in oil prices compared with their average level in the previous year (see Chart 2). In 2009 utility companies' GVA also experienced a decline, albeit more moderate, of 6.2%, mainly as a result of the fall-off in demand in this period (according to sources at Red Eléctrica, electricity demand fell 4.3% in 2009). In turn, the GVA of corporations in the wholesale and retail trade and accommodation and food service activities sector and that of information and communication firms reflected similar declines in 2009 of approximately 6% which were sharper than those posted a year earlier (-4.4% and -1%, respectively) and were due to weak consumption in that year. Lastly, the GVA of the "Other activities" aggregate (which includes construction and real estate firms) posted a decline of 4.9% in 2009, down on the more moderate decrease of 2.8% in the previous year.

Chart 3 analyses the distribution of firms on the basis of changes in their GVA, irrespective of their size or sector of activity. The main conclusion to be drawn from this chart is that in 2009 the percentage of firms with GVA declines increased very significantly (up 61.4% compared with 49.1% in 2008) and, especially, in the segment with reductions in GVA of more than 20%, which grew by more than 10 pp from 24.2% in 2008 to 34.5% in 2009.

Employment and personnel costs

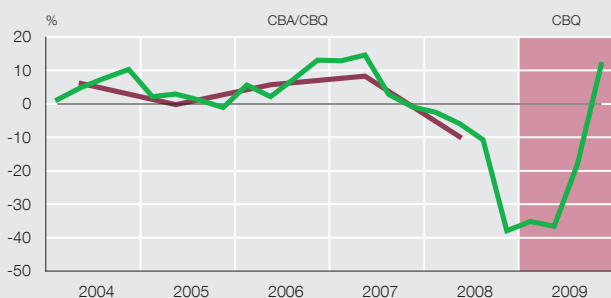
In 2009 personnel costs decreased by 1.6%, in contrast with the increase of 3.5% posted a year earlier, owing to the more restrained growth rate of average compensation and, in particular, to the workforce reductions at corporations throughout the year.

The productive activity of CBQ industrial firms contracted sharply in 2009 as shown by the rate of change in their GVA which fell by 24.6% in the year, the largest decline in this variable posted by the industrial sector in the entire quarterly series. However, as with the total for the sample firms, a slight improvement was seen in 2009 Q4 that softened to a certain extent the decline posted for the year as a whole. The worsening of industrial activity affected nearly all the sub-sectors, reflecting the decline in capital goods investment and the negative developments in some industrial sub-sectors more closely linked to the construction business. A noteworthy exception is the manufacture of transport equipment sub-sector, the only one to have experienced GVA growth in 2009 (7.3%), mainly due to the Government's plans to boost automobile sales which have invigorated activity in this sector in recent months. The external activity of the industrial firms aggregate was marked by the strong decline in imports and exports, although the sharper drop in imports meant that net external demand (exports less imports) remained positive for the year as a whole (see Table 3). In 2009 personnel costs decreased sharply by 6.9%, in contrast to 1.2% growth the previous year. This change is the result, on the one hand, of the strong decrease in employment, in keeping with the downturn in productive activity, which triggered a 6.1% decline in the av-

erage number of employees, and, on the other, the trajectory of average compensation, which in the year as a whole slipped 0.9%. In any event, the reduction in personnel costs was not sufficient to avoid the worsening of productive activity from passing through to gross operating profit (GOP), which also clearly deteriorated to a rate of -51.7%. Also, in 2009 ordinary net profit posted a similar decrease of 57.6%, notwithstanding the positive change in financial costs and revenues in 2009; the former fell by 21.7% and the latter rose by 9.5%. Against this backdrop, ordinary profitability levels continued to fall, in the case of the return on investment to 2.9%, which was considerably lower than the figure of 5.1% posted in 2008. The return on equity was 2.1%, more than 3 pp lower than its value a year earlier. The financial cost also headed downwards from 5% in 2008 to 3.8% in 2009, and partially offset the decrease in returns; however, it was not sufficient to avoid the difference between the two ratios (the return on investment and the cost of borrowing) posting a negative value (-0.9), which has not been recorded for this aggregate in the CBQ since 1996. This figure sums up the difficult situation facing the industrial sector during 2009, when the contraction of its productive activity seriously hampered its capacity to generate profit and employment and, as a result, to maintain previous years' profitability levels.

PERFORMANCE OF THE INDUSTRIAL CORPORATIONS REPORTING TO THE CBSO

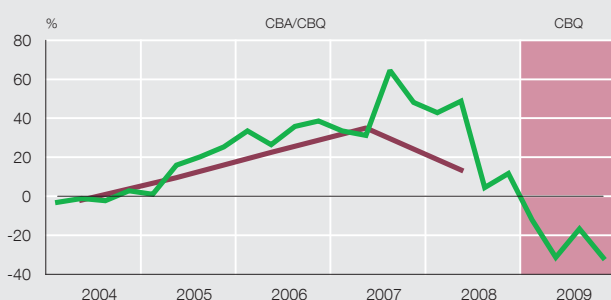
GROSS VALUE ADDED AT FACTOR COST
Rate of change



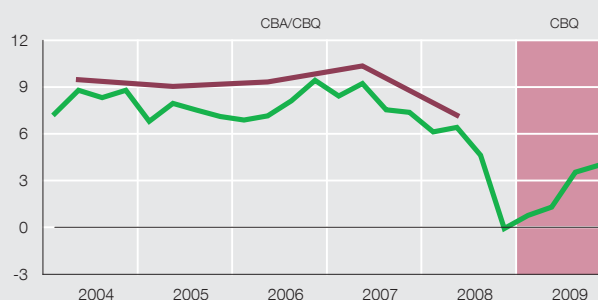
EMPLOYMENT AND WAGES
Rate of change



FINANCIAL COSTS
Rate of change



RETURN ON INVESTMENT
Ratios



REPORTING INDUSTRIAL CORPORATIONS

		2004				2005				2006				2007				2008				2009			
Number of corporations	CBA	2,472				2,410				2,397				2,356				2,069				-			
	CBQ	347	337	330	328	320	309	302	294	315	300	288	279	309	299	285	280	283	272	258	245	245	241	228	164
% of GDP of the sub-sector industrial corporations	CBA	28.7				28.7				31.1				33.6				24.5				-			
	CBQ	19.7	19.8	18.1	19.3	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	8.6

SOURCE: Banco de España.

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

TABLE 3

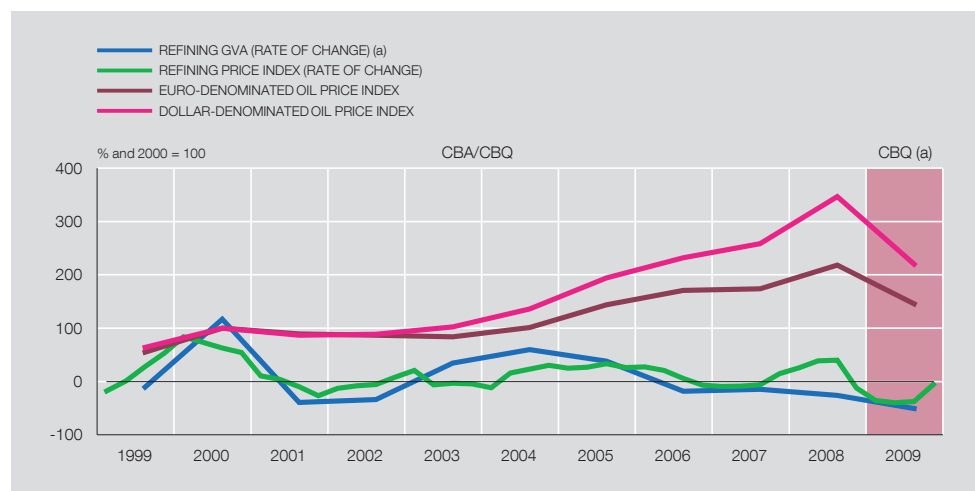
		CBA		CBQ (a)	
		2007	2008	08 Q1-Q4	09 Q1-Q4
Total corporations		8,206	8,206	730	730
Corporations reporting source/destination		8,206	8,206	680	680
Percentage of net purchases according to source	Spain	66.4	65.5	80.5	83.0
	Total abroad	33.6	34.5	19.5	17.0
	<i>EU countries</i>	18.6	17.2	13.1	11.9
	<i>Third countries</i>	15.0	17.3	6.4	5.1
Percentage of turnover according to destination	Spain	85.0	84.7	91.2	91.6
	Total abroad	15.0	15.3	8.8	8.4
	<i>EU countries</i>	10.5	10.3	6.5	6.2
	<i>Third countries</i>	4.4	5.1	2.3	2.2
Change in net external demand (exports less imports), rate of change	<i>Industry</i>	-11.5	-19.1	(b)	141.9
	<i>Other corporations</i>	-5.8	1.4	28.1	37.4

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.

IMPACT OF OIL PRICES ON THE REFINING SECTOR

CHART 2



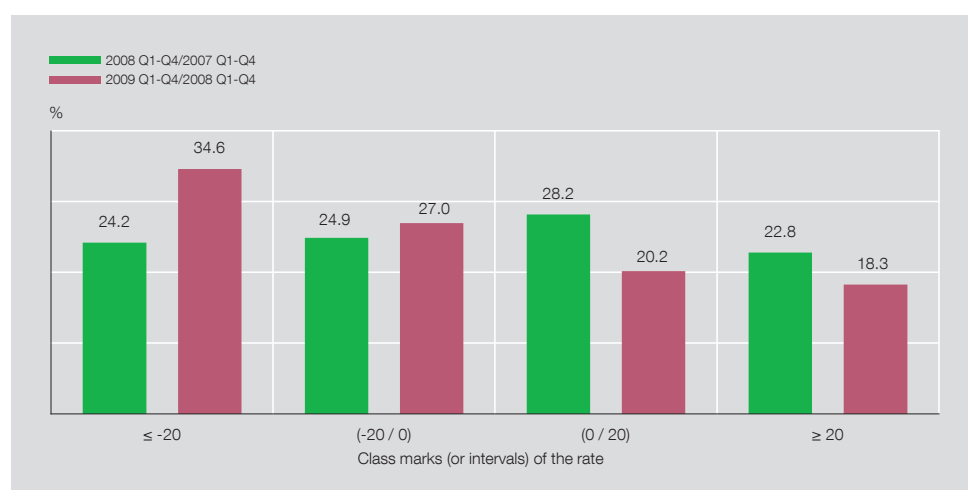
SOURCES: Banco de España and Ministerio de Industria, Turismo y Comercio (Informe mensual de precios).

a. 2009 data relate to the CBQ.

This adjustment triggered a reduction of 2.7% in the average number of employees at corporations in the CBQ sample, compared with a rise of 0.6% in 2008. The decrease in staff levels affected more and more corporations as the year unfolded and the average number of employees fell at 62.1% of the sample firms (see Table 4), in contrast with 46.2% of firms in this situation in 2008. The analysis of the fall in employment by contract type shows that the workforce reductions centred especially on temporary employment which was down by 15.1%, since permanent employment remained practically stable, posting a rate of decline of 0.4% in 2009. By sector of activ-

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

CHART 3



SOURCE: Banco de España.

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

TABLE 4

	2006	CBA		CBQ (a)		
		2007	2008	07 Q1-Q4	08 Q1-Q4	09 Q1-Q4
Number of corporations	9,286	9,243	8,206	846	814	730
PERSONNEL COSTS	100	100	100	100	100	100
Falling	25.4	26.0	32.1	28.8	33.5	57.4
Constant or rising	74.6	74.0	67.9	71.2	66.5	42.6
AVERAGE NUMBER OF EMPLOYEES	100	100	100	100	100	100
Falling	31.0	31.4	41.6	38.8	46.2	62.1
Constant or rising	69.0	68.6	58.4	61.2	53.8	37.9

SOURCE: Banco de España.

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

ity, the decline extended to all aggregates, although staff levels fell furthest in industry and in the wholesale and retail trade and accommodation and food service activities (–6.1% and –4.3%, respectively), which is in keeping with the downturn in the productive activity of both aggregates. Declines in employment were posted in the other sectors of activity, although they were more moderate. Thus, staff numbers fell by 0.1% at energy firms, by 0.7% at firms in the information and communication sector and by 0.6% at firms in the aggregate including other sectors.

Average compensation continued to grow moderately in 2009 at rates which were considerably lower than those of the previous year (1.1% in 2009 compared with 2.9% in 2008). This containment of average compensation reflects the lower wage increases negotiated in the latest collective bargaining agreements, against the backdrop of low inflation and weaker labour demand. This trend towards greater wage restraint can be seen across all sectors of activity and, in certain sectors, such as industry and wholesale and retail trade, and accommodation and food service activities, negative rates of change were posted (0.9% and 0.7%, respectively). This is explained by the strong impact on average compensation of the drastic cut in 2009 in variable compensation; the latter is tied to changes in activity and business results and

particularly affects large corporations in the above-mentioned aggregates. Compensation performed very uniformly in the other sectors of activity averaging increases of less than 2%, which in all cases were lower than in the previous year. Lastly, Table 2.B analyses separately those corporations that created employment or did not change average staff levels and those that cut their average staff levels; there was a clear difference between the two groups. The firms that destroyed employment in 2009 were, at the same time, those that experienced an above-average increase in wage costs (1.9%), whereas firms, whose staff levels remained unchanged or increased during 2009, witnessed practically zero growth in average compensation in this period (-0.6%).

Profits, rates of return and debt

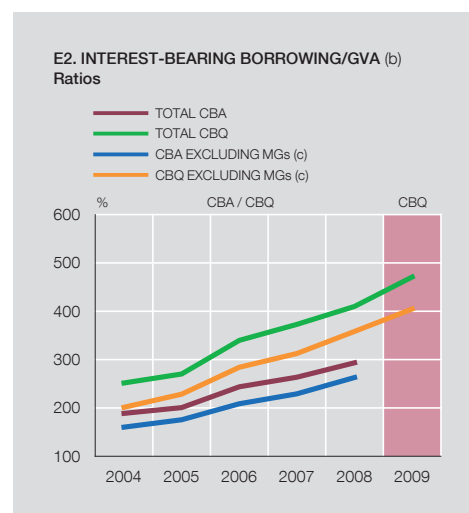
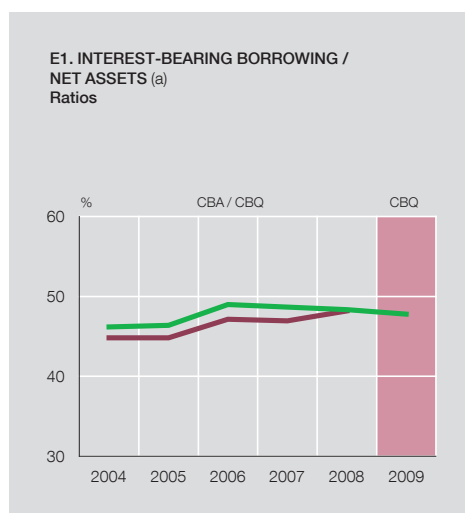
The reduction in personnel costs in 2009 did not prevent the much sharper contraction in productive activity from feeding through to GOP and causing the latter to decline by 15.9%, practically double the previous year's fall (7.9%). However, the combination of lower financial costs and revenue had a positive impact on business profits. The decrease in financial revenue (10.4%) was solely due to the contraction of interest received, against a backdrop of interest rate cuts. These developments were partially offset by the growth of dividends received from (mainly foreign) subsidiaries. The fall of 28.7% in financial costs was considerably sharper than that in financial revenue, thus permitting a significant reduction in 2009 in the interest burden (see Chart 4), following three years of uninterrupted growth. The following table provides a more accurate picture of the reasons for the reduction in financial costs:

	<u>09 Q1-Q4 / 08 Q1-Q4</u>
Change in financial costs	-28.7%
A. <i>Interest on borrowed funds (1 + 2)</i>	-29.6%
1 Due to the cost (interest rate)	-31.1%
2 Due to the amount of interest-bearing debt	1.5%
B. <i>Commissions and cash discounts</i>	0.9%

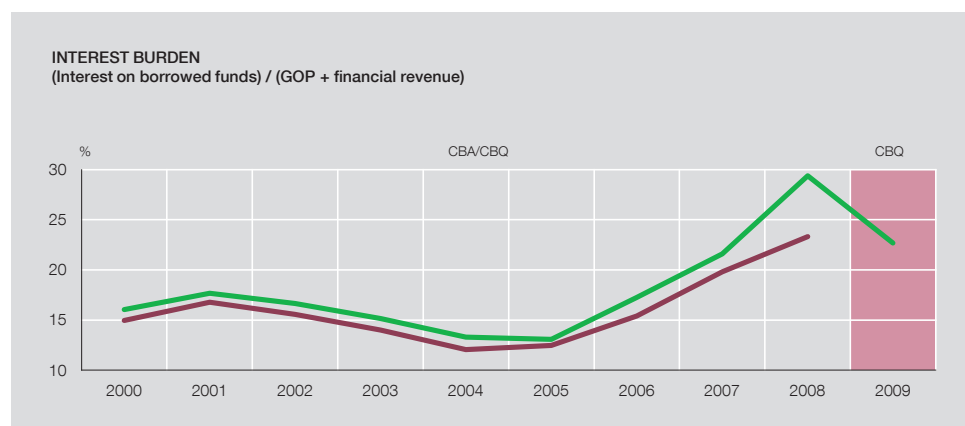
The above data show that the decrease in financial costs is exclusively a result of interest rate cuts and their gradual pass-through to corporate costs since the influence of changes in debt on financial costs was virtually zero in 2009. On CBQ data, the investment in tangible fixed assets of sample firms (except for those in the refining sector) fell steeply by 23.9% in 2009, which explains why there were no new financing flows.

Ratios E1 and E2 (see Chart 4) complete the study of firms' financial positions. The former (interest-bearing borrowing divided by net assets) shows a slight reduction in debt levels in 2009, in keeping first, with the fact that firms' resort to new external financing was virtually zero, and second, with the debt restructuring undertaken by some large corporations. Ratio E2 (interest-bearing borrowing/GVA) continued to deteriorate in 2009, essentially owing to the decrease in its denominator (GVA).

The fall in GOP was softened by the above-mentioned reduction in financial costs and by the decrease in "Net depreciation, impairment and operating provisions". The rate of decline in this caption in 2009 was 5.4% since in the previous year it included very high inventory impairment losses on the balance sheets of some large construction and real estate companies, as part of the restructuring process undertaken by this sector in 2008. Consequently, ONP fell considerably by 10.3% in 2009 (see Table 5), although this decline was far lower than that recorded in 2008 (24.2%). This less negative change, however, is almost solely due to the growth posted at real estate firms and holding companies (both are included in the "other sectors" aggregate), while in the other sectors of activity ONP fell strongly in 2009: 8% at energy firms, 57.6% at industrial firms, 15.3% at wholesale/retail trade and accommodation/food activity firms and



	2004	2005	2006	2007	2008	2009
CBA	188.6	200.7	243.5	263.5	293.4	
CBQ	251.9	270.2	339.7	373.2	410.1	470.9
CBA excl. MGs	160.5	175.8	208.6	229.2	263.2	
CBQ excl. MGs	201.1	228.7	283.9	313.0	358.1	404.9



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CBA	15.0	16.8	15.6	14.0	12.1	12.5	15.4	19.8	23.3	
CBQ	16.0	17.7	16.7	15.2	13.3	13.1	17.3	21.6	29.4	22.7

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 sector companies.

**GROSS OPERATING PROFIT, ORDINARY NET PROFIT, RETURN ON INVESTMENT (ROI)
AND ROI-COST OF DEBT (R.1 - R.2).
BREAKDOWN BY SIZE AND MAIN ACTIVITY OF CORPORATIONS**

TABLE 5

Ratios and rates of change of the same corporations on the same period a year earlier

	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)	
	2007	2008	08 Q1-Q4	09 Q1-Q4	2007	2008	08 Q1-Q4	09 Q1-Q4	2007	2008	08 Q1-Q4	09 Q1-Q4	2007	2008	08 Q1-Q4	09 Q1-Q4
Total	5.9	-9.7	-7.9	-15.9	4.2	-22.4	-24.2	-10.3	8.9	7.6	7.2	6.1	4.1	2.6	2.1	2.7
SIZE:																
Small	0.8	-27.0	—	—	-1.4	-50.0	—	—	7.3	4.3	—	—	2.5	0.3	—	—
Medium	5.2	-14.2	-5.3	-26.4	-2.2	-29.6	-5.4	-39.9	8.1	6.0	7.0	4.2	3.3	1.4	0.8	0.6
Large	6.1	-9.0	-8.0	-15.5	5.0	-21.4	-24.8	-9.4	9.0	7.7	7.2	6.1	4.2	2.7	2.1	2.7
BREAKDOWN BY ACTIVITY:																
Energy	1.3	1.6	1.6	-15.0	2.3	-1.9	-2.0	-8.0	8.6	7.7	8.3	6.6	4.2	2.8	3.5	3.1
Industry	13.6	-22.8	-29.3	-51.7	12.8	-34.6	-49.9	-57.6	10.3	7.2	5.1	2.9	5.2	2.0	0.1	-0.9
Wholesale & retail trade and accommodation & food service activities	6.8	-8.2	-16.9	-8.4	4.7	-17.6	-17.4	-15.3	10.2	8.9	5.5	4.8	5.2	3.7	0.7	1.4
Information and communication	8.8	-0.3	-1.3	-7.8	27.8	6.0	8.7	-14.5	21.9	23.6	26.9	28.7	16.2	18.1	21.0	23.7
Other activities	-1.3	-18.8	-16.5	-17.1	-16.6	-61.7	(b)	(b)	7.0	5.8	5.5	4.9	2.2	0.9	0.4	1.7

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.

**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)	
		08 Q1-Q4	09 Q1-Q4	08 Q1-Q4	09 Q1-Q4
Number of corporations		814	730	814	730
Percentage of corporations by profitability bracket	R ≤ 0%	26.8	33.7	34.3	38.4
	0% < R ≤ 5%	22.0	23.9	14.8	16.9
	5% < R ≤ 10%	17.2	15.1	12.0	11.5
	10% < R ≤ 15%	9.1	6.3	8.3	6.5
	15% < R	24.9	20.9	30.6	26.7
MEMORANDUM ITEM: Average return		7.2	6.1	9.1	8.4

SOURCE: Banco de España.

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

14.5% at information and communication firms, although they experienced a clear improvement in 2009 Q4. The combined developments of ONP and financial costs were not sufficient to leave ordinary profit levels unchanged; these continued to decline in comparison with those of previous years. Thus, the return on investment (R.1) stood at 6.1% in comparison with 7.2% in 2008 and the return on equity decreased to 8.4%, slightly more than 0.5 pp below the previous year's level. The ratio that measures the cost of debt (R.2) decreased by slightly more than 1.5 pp to 3.4% (down from 5.1% in 2008) and, consequently, the difference between ROI

and financial cost remained positive in 2009 and stood at 2.7 pp, even higher (by 0.6 pp) than the figure for 2008.

Lastly, it is worth analysing in detail the changes in extraordinary items since they had a considerable impact on net profit and, especially, on the comparison between the last two years, given that extraordinary operations undertaken by large non-financial corporations were of opposite sign in 2008 and in 2009 and were for substantial amounts. Firstly, "Gains (losses) from disposals and impairment" grew vigorously, switching from negative values in 2008 to positive ones in 2009. This is because in 2008 certain large corporations in the sample recorded substantial asset impairment losses, mainly for their share portfolios, while in 2009 not only did this not recur but these firms even reversed some of these impairment losses. This is consistent with the changes in the stock market where the market capitalisation of listed non-financial corporations fell by 37.9% during 2008. Conversely, in 2009 this item increased by 1.2%. The other extraordinary items showed a degree of volatility in terms of rates of change but their impact on net profit is not significant since they represent small amounts. Therefore, the 11.9% growth in net profit is basically due to the exceptionally high negative amounts recorded under "Gains (losses) from disposals and impairment" in 2008, most of which were of opposite sign in 2009. Similarly, if net profit is expressed as a percentage of GVA, it can be seen that it recovered slightly in 2009 to 20.8%, slightly more than 3 pp up on its value a year earlier (16.8%), although it is a long way off the highs reached in 2007, when this percentage rose to 38.1%.

17.3.2010.