

RESULTS OF NON-FINANCIAL CORPORATIONS IN 2003 AND IN THE FIRST THREE
QUARTERS OF 2004

Introduction

As is customary at this time of year, the Banco de España presents here the results of the corporations that have contributed to the Central Balance Sheet Data Office Annual Survey (CBA) during the previous year (2003), and those relating to the first three quarters of 2004, obtained from data from firms reporting to the Central Balance Sheet Data Office Quarterly Survey (CBQ). The latter can be considered a preliminary indicator of end-year data for 2004.

Table 1 and Chart 1 show the trend in business activity in the above periods. They confirm that 2003 annual data and trends are broadly in line with prior CBQ data. The year 2003 was characterised by the ongoing sustained growth of productive activity, slightly up on 2002 and driven mainly by continued strong retail activity growth and, on this occasion, a significant recovery in industrial activity, thanks to buoyant capital goods investment. The nominal growth rate of gross value added (GVA) thus stood at 6.5%, compared with 5.6% in 2002. However, this difference is almost entirely cancelled out if refining companies, which were affected by major fluctuations in oil prices, are not taken into account. The improvements in the international environment, especially apparent in the United States, Latin America and the major Asian economies, enhanced the climate of confidence, although there remains a degree of uncertainty associated with the lacklustre euro area data and spiralling oil prices.

Against this backdrop, data available for the first three quarters of 2004 show that productive activity displayed similar trends to those observed the previous year, and are in line with data from other sources. More specifically, the growth rate of GVA was 5.2%, slightly exceeding the related rate in the first three quarters of 2003 (4.5%). In sectoral terms, GVA in the industrial sector grew by 4.1%, compared with 1% in the first nine months of 2003, reflecting the above-mentioned recovery in capital goods investment and the notable strength of private consumption. The latter, together with the construction sector, were the main drivers of economic growth. Lastly, the improvement in the international situation has firmed throughout 2004 and has resulted in a modest recovery in exports, which are nevertheless continuing to grow at a slower pace than imports. It is expected that 2004 end-year data will confirm this generally favourable picture.

In 2003, as in the first three quarters of 2004, personnel costs trended downwards. This variable grew by 4.3% last year, which was more than 1 pp lower than in 2002. The results of the first three quarters of 2004 show a growth rate of 2.4% which is, in turn, lower than the 4.4% growth rate posted in the same period a year earlier. This ongoing slowdown in employee compensation reflects both the lower growth in employment and the moderation in average compensation. In 2003, employment rose by 1.1%, compared with 1.7% in 2002. This slowdown was mainly due to the loss of momentum in the wholesale and retail trade sector, which is where the biggest increases in jobs had been seen in past years. Moreover, as mentioned in

1. The information for 2003, used to compile this article, is a summary of that featured in the publication "Banco de España. Resultados anuales de las empresas no financieras 2003", released on 24 November 2004. The data used for this publication were provided by the 6337 non-financial corporations reporting to the Central Balance Sheet Data Office Annual Survey to end-October 2004. The quarterly series are drawn from information provided by 747 companies which, on average, sent data to the CBQ survey to mid-November 2004. The CBA sample represents 25.1% of the total activity of the non-financial corporations sector (measured by gross value added at basic prices), while the coverage of the CBQ sample is around 14%.

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)		
	2003	2002	2003	Q4/ 02 Q1-Q4	Q3/ 02 Q1-Q3	Q3/ 03 Q1-Q3
DATABASES						
Number of corporations		8.127	6.337	831	844	747
Total national coverage		28,9%	25,1%	15,3%	15,5%	13,9%
PROFIT AND LOSS ACCOUNT						
1. VALUE OF OUTPUT	100.0	2.8	6.0	3.7	3.8	6.3
Of which:						
1. Net amount of turnover and other operating income	131.0	3.7	6.0	4.0	4.0	6.6
INPUTS (including taxes)	67.8	1.5	5.7	3.3	3.3	6.9
Of which:						
1. Net purchases	39.8	-1.0	4.0	2.5	2.0	7.6
2. Other operating costs	27.6	6.7	7.7	6.3	5.6	7.7
S.1. GROSS VALUE ADDED AT FACTOR COST [1-2]	32.2	5.6	6.5	4.3	4.5	5.2
3. Personnel costs	16.3	5.5	4.3	4.0	4.4	2.4
S.2. GROSS OPERATING PROFIT [S.1-3]	15.9	5.7	8.8	4.5	4.6	7.4
4. Financial revenue	2.9	-8.2	10.2	22.9	12.5	4.9
5. Financial costs	3.1	-3.8	-0.6	0.9	2.0	-5.1
6. Depreciation and operating provisions	7.1	4.2	4.7	1.0	3.1	-2.8
S.3. ORDINARY NET PROFIT [S.2 + 4-5-6]	8.6	5.6	17.0	14.4	9.2	18.6
7. Capital gains and extraordinary revenue	5.8	53.3	4.1	-1.7	1.0	-61.2
8. Capital losses and extraordinary expenses	3.5	35.9	-32.4	-35.0	-15.1	-34.8
9. Other (net provisioning and income tax)	5.2	107.2	-33.8	-45.2	-62.4	-29.1
S.4. NET PROFIT [S.3 + 7-8-9-10]	5.8	-76.8	(b)	(b)	(b)	7.1
PROFIT RATIOS						
	Formulas (c)					
R.1 Return on investment (before taxes)	(S.3+5.1)/NA	7.9	7.4	7.8	7.1	7.7
R.2 Interest on borrowed funds/ interest-bearing borrowing	5.1/IBB	4.4	4.0	4.2	4.2	4.0
R.3 Ordinary return on equity (before taxes)	S.3/E	11.0	10.4	11.1	9.7	10.9
R.4 ROI - cost of debt (R.1 - R.2)	R.1-R.2	3.6	3.4	3.6	2.9	3.7
R.5 Debt ratio	IBB/NA	50.2	50.8	52.0	52.2	51.2

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 calculable because the relevant figures are of opposite sign.

c. The variables in the formulas are expressed as absolute vales. 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 that portion of financial costs which is interest on borrowed funds (5.1) and not commissions and cash discounts (5.2).

Note: Internal accounting movements have been edited out of items 4, 5, 7, 8 and 9.

previous reports, the employment data for 2004 are adversely affected by the staffing adjustments at a major corporation in the telecommunications sectors. Stripping this out, employment for the rest of the companies in the sample grew by 0.7%, which is more in line with the results for most reporting companies than the figure of -0.5% resulting if the above adjustment is not made. Against this background, employment trends in the industrial sector are noteworthy: despite continuing to post negative rates for the first three quarters of 2004, a turnaround in the quarterly profile was observed, from which it can be assumed that employment destruction ceased in 2004 Q3. Furthermore, ongoing wage moderation, mentioned in previous articles, continued to be seen. This is reflected in both annual data for 2003 and CBA data to 2004 Q3. It should be noted, however, that the percentage of companies whose personnel costs per employee remain above or equal to inflation continued to rise in 2003 and only started to decline in 2004 (see Table 4).

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

TABLE 2.A

	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)		
	2003	03 Q1	03 Q1	04 Q1	2003	03 Q1	03 Q1	04 Q1	2003	03 Q1	03 Q1	04 Q1	2003	03 Q1	03 Q1	04 Q1
Total	6.5	4.3	4.5	5.2	1.1	0.5	0.6	-0.5	4.3	4.0	4.4	2.4	3.2	3.5	3.8	2.9
SIZE																
Small	3.7	—	—	—	0.0	—	—	—	5.0	—	—	—	5.0	—	—	—
Medium	5.6	2.8	2.7	4.3	1.5	-0.2	0.0	0.3	6.4	4.4	4.9	4.0	4.8	4.6	4.9	3.7
Large	6.6	4.4	4.6	5.3	1.1	0.5	0.6	-0.5	4.0	4.0	4.4	2.3	2.9	3.5	3.8	2.8
BREAKDOWN OF ACTIVITIES BEST REPRESENTED IN THE SAMPLE																
Energy	2.0	2.9	4.0	5.2	-2.2	-1.6	-1.9	-2.4	1.3	2.4	3.2	2.0	3.5	4.1	5.2	4.5
Industry	5.3	1.2	1.0	4.1	-0.7	-0.9	-0.7	-1.5	2.4	2.8	3.1	1.2	3.1	3.7	3.8	2.7
Wholesale and retail trade	8.6	7.9	9.4	5.9	6.3	4.3	4.2	4.2	9.3	7.3	7.5	5.3	2.8	2.9	3.2	1.1
Transport and communications	5.5	3.6	3.7	4.5	-1.2	-0.5	-0.1	-2.2	2.4	3.1	3.6	1.0	3.6	3.6	3.7	3.3

SOURCE: Banco de España.

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

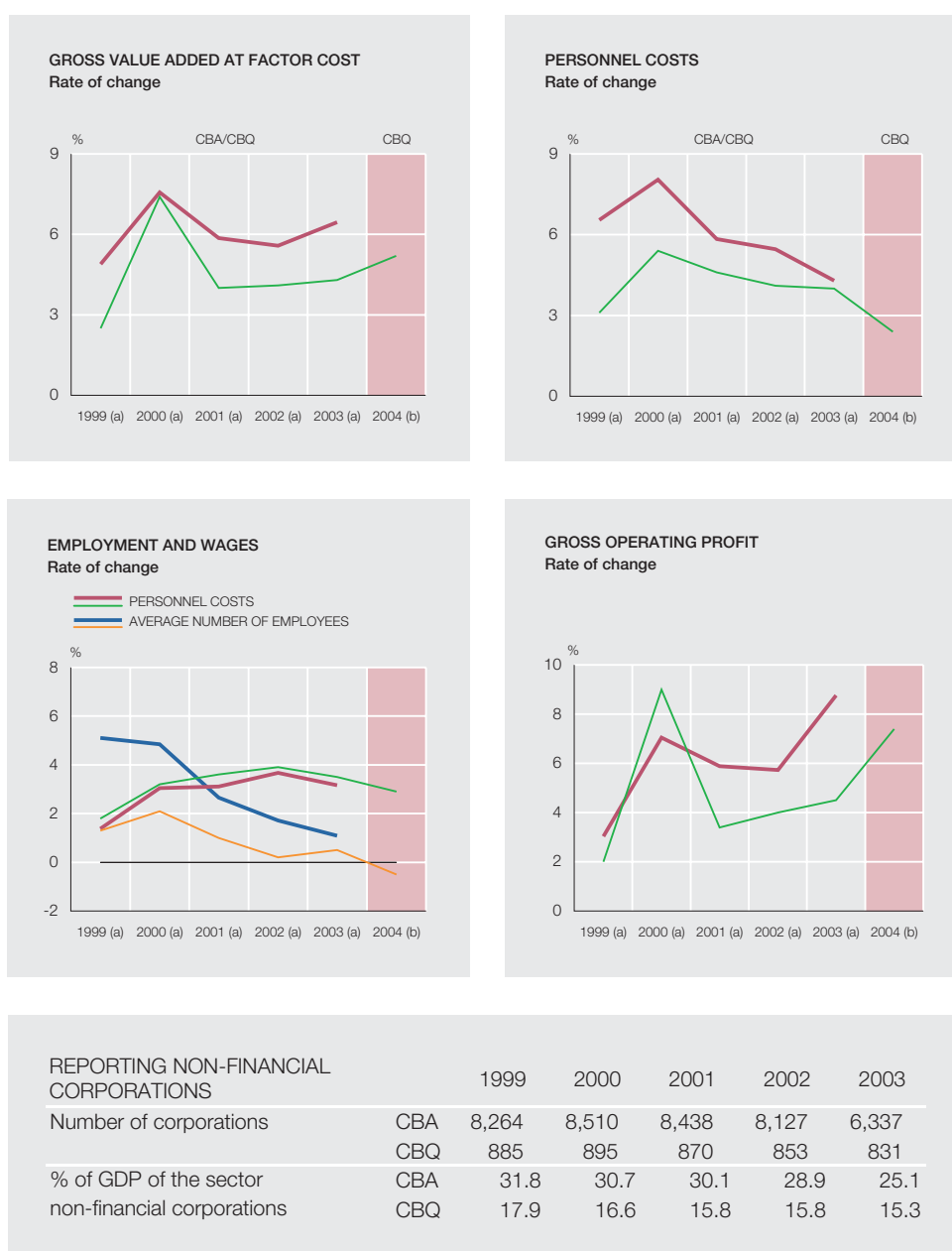
Thanks to these trends in activity and personnel costs, companies were able to maintain significant growth in their gross operating profit both in 2003 and the first three quarters of 2004 (8.8% and 7.4%, respectively). This, in turn, boosted net ordinary profit, adding to which was the substantial 10.2% rise in 2003 in financial revenue, which benefited, inter alia, from inflows of dividends from foreign subsidiaries. In the first three quarters of 2004, financial costs fell by 5.1%, due mainly to the decline in interest rates paid by companies. These factors resulted in sharp rises in the growth of net ordinary profit in 2003 and the first three quarters of 2004, which stood at 17% and 18.6%, respectively. These trends in financial revenue and costs explain the high profit ratios observed in the period under review. The spread between the return on investment and the cost of debt (interest on borrowed funds) trended favourably, essentially in the first three quarters of 2004, when it was close to 4 pp.

In short, this scenario confirms the uptrend in corporate activity in the recent period, with sustained growth in activity in both 2003 and the first three quarters of 2004. The wholesale and retail trade sector remains buoyant but appears to have lost some of its vigour in recent quarters, in line with a number of indicators showing a less expansionary performance by private consumption. Moreover, in 2004 the industrial sector has started to post sharper increases in GVA, thanks mainly to the rebound in investment in capital goods. These developments have been against a background of wage moderation and increasing international stability, threatened only by the persistent tensions in the Middle East and the course of crude oil prices. Nevertheless, as previous articles have shown, companies in the sample and Spanish firms more generally, given that they appear to display similar trends to those of the sector, are in a good position to see a sustained recovery in activity as business expectations improve. To achieve this, however, wage restraint will have to go hand in hand with productivity growth and job creation.

Activity

Corporate activity in 2003, measured by changes in GVA, remained sustained, growing at a pace similar to that of the previous year (see Table 1)². GVA thus grew at a rate of 6.5%, com-

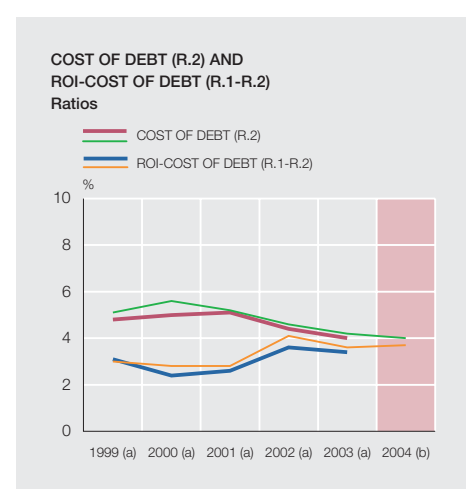
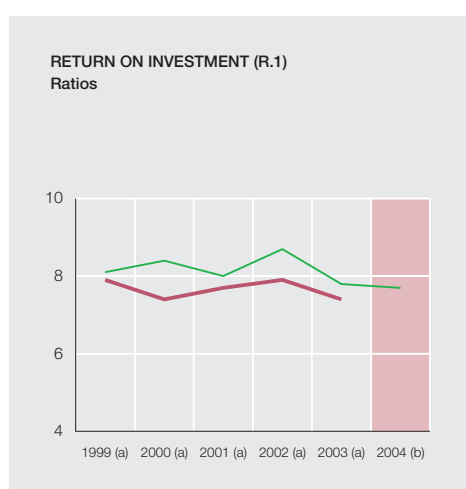
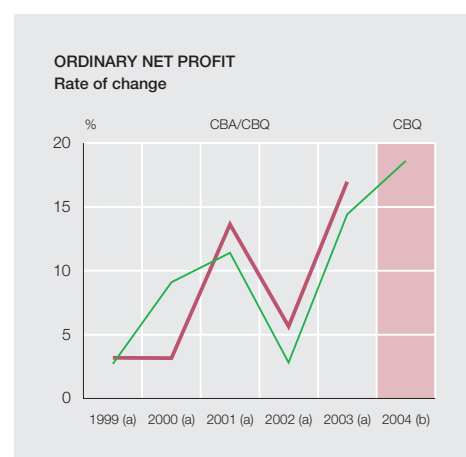
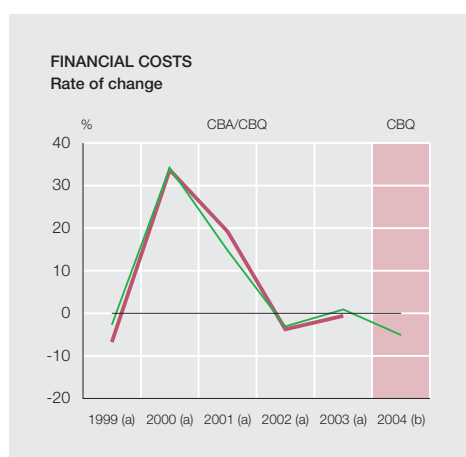
2. The first column of the table shows the relative weights of the different items of the profit and loss account for which growth rates have been calculated (see Box 3).



SOURCE: Banco de España.

a. 1999, 2000, 2001, 2002, and 2003 data are the average data of the four quarters of each year (CBQ) in relation to the previous year for the corporations reporting to the annual survey (CBA).
b. Average of the first three quarters of 2004 in relation to the same period in 2003.

pared with 5.6% in 2002. However, this was mainly attributable to the turnaround in the oil refining sector which, as a result of the high volatility of crude oil prices — and consequently of margins — went from posting a sizable fall in growth of GVA in 2002 (–33.8%), to a substantial rise in 2003 (37.3%). If we strip out this sector, the rest of the companies registered GVA growth of 6% in 2003, against 6.2% in 2002, which is more in line with the sample as a whole. Activity growth was chiefly driven by the strength of market services firms, and of retailers in particular, which registered the highest GVA growth rate (8.6%). However, this rate was lower than that of the same sector in 2002 (10.9%), which appears to reflect a certain containment of private consumption, as indicated in other sources. Nonetheless, private consumption re-



REPORTING NON-FINANCIAL CORPORATIONS		1999	2000	2001	2002	2003
Number of corporations	CBA	8,264	8,510	8,438	8,127	6,337
	CBQ	885	895	870	853	831
% of GDP of the sector non-financial corporations	CBA	31.8	30.7	30.1	28.9	25.1
	CBQ	17.9	16.6	15.8	15.8	15.3

SOURCE: Banco de España.

a. 1999, 2000, 2001, 2002, and 2003 data are the average data of the four quarters of each year (CBQ) in relation to the previous year for the corporations reporting to the annual survey (CBA).
b. Average of the first three quarters of 2004 in relation to the same period in 2003.

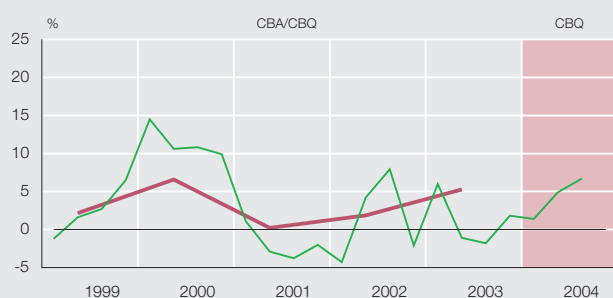
mained a key element in sustaining the level of activity in 2003. Following two consecutive years of sluggish growth, the industrial sector posted GVA growth of 5.3%, underpinned by the incipient recovery in capital goods investment, which can be deduced from the performance of companies specialising in this sector. And this despite the fact that the long-awaited recovery of euro area economies, which are the main destination of exports in this sector, did not materialise in 2003 (for a more detailed analysis, see Box 1). In sum, there was a slight change in the composition of the factors that sustained activity throughout 2003 at similar levels to those of the previous year, with significant increases in output, outstripping those of other euro area economies. The main drivers of productive activity in 2004 were similar to

Figures from the Central Balance Sheet Data Office show that in 2003 and the first three quarters of 2004, the productive activity of the industrial sector recovered steadily, following two years of sluggish growth. Industry posted GVA growth of 5.3% in 2003, i.e. over 3 pp up on 2002 (1.9%). Quarterly data confirm this trend, showing a 4.1% rise in industrial activity to September 2004, compared with just 1% for the same period a year earlier. The recovery of Spanish industry can largely be attributed to the rebound in capital goods investment in 2003, which has been even clearer in the first three quarters of 2004. Other favourable factors include the more stable international environment and the improvement in some major European economies, which has not as yet resulted in a rise in exports among the companies in the sample, whereas imports have continued to grow at a steady pace. The sub-sectors benefiting most from this recovery were electrical, electronic and optical equipment; glass, ceramics and metals; and other manufacturing. Personnel costs grew by 2.4% in 2003 and by 1.2% in the first nine months of 2004. This is due to the fact that industrial corporations reduced staffing levels in both the periods under review. However, quarterly data for 2004 show a turna-

round in this trend, and in Q3 no job destruction appears to have been registered. As was the case for the sample as a whole, there was a slowdown in the growth of average wages, which constitute the other factor contributing to trends in personnel costs. While annual data show a 3.1% increase in wage costs in 2003, quarterly data indicate a 2.7% rise in the period under review in 2004. As for the sample as a whole, the industrial sector benefited from this ongoing trend while remaining exposed to the risks associated with oil price developments. These trends have allowed Spanish industry to post growth in ordinary profit, which also benefited from the decline in financial costs borne by these companies. Net ordinary profit for 2003 stood at 18.4%, according to CBA data, while the data to 2004 Q3 showed growth of 12% under this heading. These increases meant high levels of profitability were sustained, and on a rising trend in relation to the preceding periods. The return on investment for 2003 was 8.4%, compared with 8% in 2002, and 9.1% for the first three months of 2004, against 9% for the same period a year earlier. However, the downward trend of the ratio measuring the cost of borrowed funds resulted directly in, for the two periods under review, a clearly

PERFORMANCE OF THE INDUSTRIAL CORPORATIONS REPORTING TO THE CBSO (a)

GROSS VALUE ADDED AT FACTOR COST
Rate of change



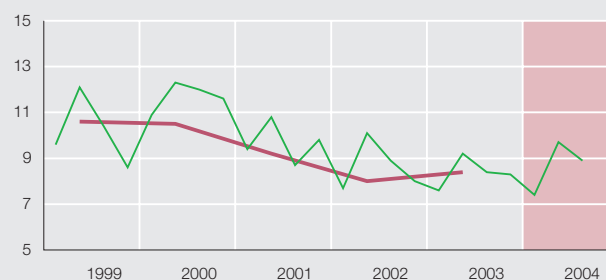
EMPLOYMENT AND WAGES
Rate of change



FINANCIAL COSTS



RETURN ON INVESTMENT
Ratios



REPORTING INDUSTRIAL CORPORATIONS	1999	2000	2001	2002	2003	2004
Number of corporations	CBA 3,038	2,974	2,814	2,606	2,074	—
	CBQ 422 406 397 387	433 413 391 377	403 393 381 364	390 376 365 353	369 361 350 335	338 312 262 —
% of GDP of the sub-sector industrial corporations	CBA 31.2	31.4	28.2	26.5	22.6	—
	CBQ 28.4 29.0 27.1 27.1	26.6 26.6 25.2 25.4	22.2 21.8 20.6 21.0	21.0 21.1 20.3 19.2	20.3 20.1 18.7 18.5	20.4 20.0 15.4 —

SOURCE: Banco de España.

positive value for the ratio measuring the spread between the ROI and the cost of debt and one higher than in previous periods. This confirms the general recovery in industry, which is generating healthy surpluses and high profits. A turnaround in employment data trends has also been observed. Doubts nevertheless remain as to the possible impact in this scenario of ongoing high oil prices, whose effects on activity and business costs are difficult to assess looking forward. This is especially the case for industry, which is particularly exposed

and sensitive to international developments and their effect on foreign trade. The coming quarters will be important, and as the recovery in capital goods investment gains momentum and the improvement in other economies start to boost foreign trade, employment creation will no doubt firm, the first signs of which are already apparent. Against this backdrop, it is important for the industrial sector to step up efforts to enhance competitiveness, which is the only way to ensure stability and survival in an increasingly globalised market.

those of 2003. In the first nine months of the year, GVA grew by 5.2%, compared with 4.5% in the same period in 2003. As in 2003, growth in 2004 was largely underpinned by the favourable trend of market services companies and, in particular, of retailers, whose GVA rose by 5.9%, outpacing, as is frequently becoming the case, the best performers from the other main sectors analysed. The recovery in the industrial sector, which is the main beneficiary of the rebound in capital goods investment, was another key factor behind growth in productive activity in 2004. The Central Balance Sheet Data Office does not have comprehensive data on the export activity of the companies in the sample. However, on the basis of the data collected, Table 3 shows a muted recovery in exports, while imports clearly grew more strongly in the first nine months of 2004. These data suggest, for the case of the reporting companies too, that the contribution of foreign trade to GVA growth was negative.

Sector by sector, and in addition to the comments made for the industrial and for the wholesale and retail trade sectors, there was notable growth in 2004 in the transport and communications sector, whose quarterly data show an increase in GVA to September 2004 of 4.5%, almost 1 pp up on the rate in 2003, when this sector slowed slightly as a result of the fall in activity at air transport corporations. In 2004 there has been renewed buoyancy, reflecting once again the momentum the mobile telephony sector has maintained recently, joined in recent quarters by air transport. Finally, the energy sector posted increases in GVA of 2% for 2003 and of 5.2% in the first three quarters of 2004. The oil refining sector, included in this aggregate, had a notable influence here as its GVA was subject to strong upward fluctuations both in 2003 (37%) and in the first three quarters of 2004 (33.8%) owing to the effect of the changes in oil prices. The behaviour of the electricity, gas and water sector was much more contained, with GVA figures of -0.6% for 2003, and of 1.3% to September 2004. These rates reflect the effect in the form of price reductions that has come about in the periods under analysis further to the liberalisation of the electricity and gas industries. And adding to this are the higher production costs borne by electricity companies in 2004, as this year they have significantly cut electricity output from hydroelectric plants, which are those that incur the lowest costs.

Finally, Chart 2 presents a classification in intervals of each of the reporting corporations based on the growth rate of their GVA. The aim is to show to what extent the data obtained for the aggregate of corporations (which are highly influenced by developments at the biggest corporations) are representative of developments at corporations in general and, in short, to offer information on the dispersion of the rates obtained. The chart reveals there is great similarity in the distribution of the rates in the first three quarters of 2003 and in the first three quarters of 2004. Moreover, small shifts are seen from the intervals of corporations with declines in activity towards the intervals of firms that recorded increases in GVA. The latter,

EMPLOYMENT AND PERSONNEL COSTS

TABLE 2.B

Details based on changes in staff levels

	TOTAL CBQ CORPORATIONS 04 Q1 - Q3	CORPORATIONS INCREASING (OR NOT CHANGING) STAFF LEVELS	CORPORATIONS REDUCING STAFF LEVELS
Number of corporations	747	412	335
PERSONNEL COSTS			
Initial situation 03 Q3 (€m)	16,739.0	9,300.1	7,438.9
Rate 04 Q3/ 03 Q3	2.4	6.5	-2.7
AVERAGE COMPENSATION			
Initial situation 03 Q3 (€m)	28,149.5	25,905.6	31,926.6
Rate 04 Q3/ 03 Q3	2.9	2.3	5.0
NUMBER OF EMPLOYEES			
Initial situation 03 Q3 (000s)	592	359	233
Rate 04 Q3/ 03 Q3	-0.5	4.1	-7.5
Permanent			
Initial situation 03 Q2 (000s)	496	299	197
Rate 04 Q3/ 03 Q3	-0.5	3.4	-6.3
Non-permanent			
Initial situation 03 Q2 (000s)	96	60	36
Rate 04 Q3/ 03 Q3	-0.3	7.6	-13.8

SOURCE: Banco de España.

having accounted for 57.2% of the total firms in the sample in the first three quarters of the year, represented 58.8% in the same period in 2004. This confirms to some extent that the moderate and sustained growth seen for the aggregate is valid as well for corporations in general.

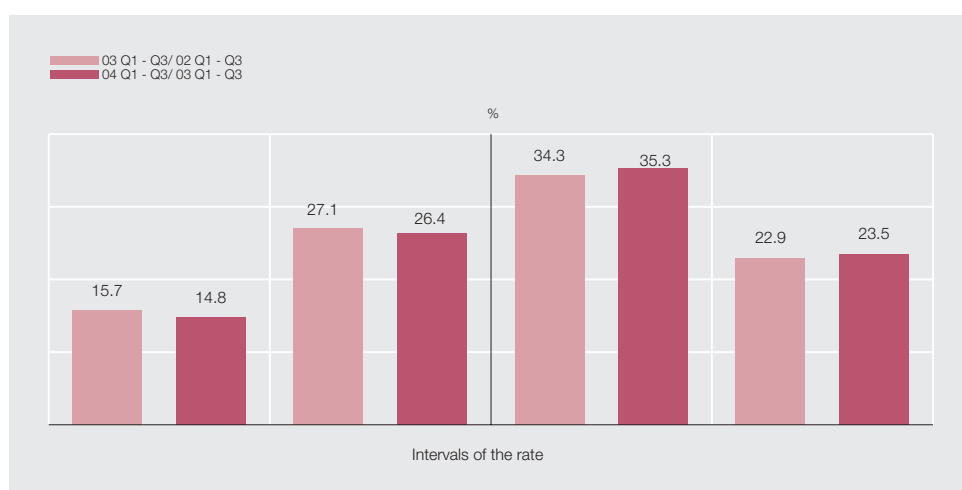
**Employment and
personnel costs**

Personnel costs rose by 4.3% in 2003, on CBA data, signifying a reduction of somewhat over 1 pp compared with the increase in 2002. The quarterly data also denote a notable reduction, since they grew by 2.4% in the first three quarters of 2004 against 4.4% in the same period in 2003. Contributing to this progressive reduction in the growth rate of personnel costs were both the greater moderation of wage costs and employment, which also posted smaller and even slightly negative rates of change, as is the case of the data for the first three quarters of 2004.

The behaviour of employment at the reporting corporations points to its weakening, both in 2003 and in the first nine months of 2004. Having shown an increase of 1.7% in 2002, the related rate was only 1% in 2003 and turned negative (-0.5%) in the first three quarters of 2004. While the 2003 data reflect something of a slowdown in job creation, a fact which particularly affected the industrial corporations, the rate for 2004 is greatly impacted by the specific instance of a heavy reduction in employment at a major corporation in the telecommunications sector, which began in late 2003. If this corporation is excluded, the rest of the aggregate shows a positive rate of increase for employment of 0.7% for the first nine months of 2004, practically unchanged on the same period a year earlier and in line with developments in productive activity. Sector by sector, the wholesale and retail trade, as was the case with activity, moved on a notably expansionary course, with increases in net employment of 4.2% for the first nine months of 2004, identical to that a year ago for this same sector. The other sectors analysed evidenced negative rates of employment for various reasons. The energy sector, affected by far-reaching corporate restructuring in the ongoing opening-up of

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

CHART 2



SOURCE: Banco de España.

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

TABLE 3

Structure

		CBA		CBQ (a)	
		2002	2003	03 Q1-Q3	04 Q1-Q3
Total corporations		6,337	6,337	747	747
Corporations reporting source/destination		6,337	6,337	723	723
Percentage of net purchases according to source	Spain	67.6	68.0	77.0	76.2
	Total abroad	32.4	32.0	23.0	23.8
	EU countries	19.5	19.3	17.0	18.0
	Third countries	12.9	12.7	6.0	5.8
Percentage of net purchases according to destination	Spain	82.7	82.7	87.6	87.4
	Total abroad	17.3	17.3	12.4	12.6
	EU countries	12.8	12.9	9.9	10.1
	Third countries	4.5	4.4	2.5	2.5

SOURCE: Banco de España.

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

the electricity industry to competition, once again showed negative employment rates which, however, have gradually been diminishing; it may thus be ventured that the employment adjustment process in this industry is drawing to a close. The transport and communications sector has posted a clearly negative rate (-2.2%) to date in 2004, having been affected by the above-mentioned staffing adjustment. If the effect of this adjustment is stripped out, this figure changes substantially, showing an increase in 2004 of 1.3%, which is much more representative of the sector's overall behaviour and more in line with the positive trend of the productive activity of the corporations making up this aggregate. Finally, there were also contractions in employment in the industrial sector in the first nine months of 2004. These were, according to CBQ figures, of the order of -1.5%, which means sharper falls even than those

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

TABLE 4

	CBA		CBQ (a)			
	2002	2003	02 Q1 - Q4	03 Q1 - Q4	03 Q1 - Q3	04 Q1 - Q3
Number of corporations	8,127	6,337	853	831	844	747
PERSONNEL COSTS	100	100	100	100	100	100
Falling	27.6	25.8	33.0	30.6	28.6	32.5
Constant or rising	72.4	74.2	67.0	69.4	71.4	67.5
AVERAGE NUMBER OF EMPLOYEES	100	100	100	100	100	100
Falling	30.7	32.1	43.0	45.1	45.1	44.9
Constant or rising	69.3	67.9	57.0	54.9	54.9	55.1
AVERAGE COMPENSATION RELATIVE TO INFLATION	100	100	100	100	100	100
Lower growth (b)	47.2	37.0	49.6	43.1	42.4	46.7
Higher or same growth (b)	52.8	63.0	50.4	56.9	57.6	53.3

SOURCE: Banco de España.

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

b. Twelve-month percentage change in the CPI.

last year. However, analysis of the quarterly profile does in fact reveal a turnaround since, departing from a negative rate of -2.4% in Q1, a rate of -0.3% was attained in 2004 Q3. Accordingly, it seems that the greater buoyancy shown by industry since 2003 is gradually feeding through, albeit with something of a delay, to job creation processes in these corporations.

Average compensation also showed a trend towards greater wage moderation which was patent both in 2003 (growth of 3.2%, compared with 3.8% in 2002) and to September 2004 (growth of 2.9% against 3.8% in the same period a year earlier). This behaviour was assisted by inflation trends in 2003 and has extended into 2004 to date, despite the surge in prices, which raises doubts about its sustainability given the widespread nature of inflation-adjustment clauses. This moderation was discernible in all sectors, although it was in the wholesale and retail trade, with average growth of 1.1% in 2004, in which containment was greatest. That confirms, as shown in Table 2. A, that those corporations (or sectors) posting net increases in employment are those where personnel costs per employee are trending most moderately. Lastly, Table 4 reveals that, in 2004 to date, the percentage of corporations whose average compensation has outgrown inflation has risen, standing at 46.7%, 4 pp up on 2003, which is consistent with the previous references.

Profits, margins and rates of return

The outlook so far described, with sustained growth in activity and progressive moderation in increases in personnel costs, allowed corporations to increase their gross operating profit notably, both in 2003, for which year the CBA survey shows growth of 8.8%, and for the first nine months of the current year, in which the CBQ survey has evidenced an average increase of 7.4%, 3 pp up on 2003. Net ordinary profit posted even higher rates of change (17% in 2003 and 18.6% to September 2004), due firstly to higher financial revenue which, in 2003 in particular, came about owing to the sizable inflow of dividends from subsidiary corporations abroad, and further to the reduction in financial costs in 2004 to date, which are 5.1% down on the same period a year ago. The following table explains to what extent this fall is due to changes in interest rates and to changes in 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 5

Ratios and growth rates 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)	
	2003	03 Q1 - Q4	03 Q1 - Q3	04 Q1 - Q3	2003	03 Q1 - Q4	03 Q1 - Q3	04 Q1 - Q3	2003	03 Q1 - Q4	03 Q1 - Q3	04 Q1 - Q3	2003	03 Q1 - Q4	03 Q1 - Q3	04 Q1 - Q3
Total	8.8	4.5	4.6	7.4	17.0	14.4	9.2	18.6	7.4	7.8	7.1	7.7	3.4	3.6	2.9	3.7
SIZE																
Small	1.8	—	—	—	6.0	—	—	—	7.5	—	—	—	3.0	—	—	—
Medium	4.6	0.7	-0.3	4.8	15.6	0.5	0.8	17.0	8.1	8.4	8.5	8.6	4.5	4.4	4.5	4.9
Large	9.4	4.7	4.8	7.5	17.4	15.0	9.6	18.7	7.4	7.8	7.0	7.7	3.4	3.6	2.8	3.7
BREAKDOWN OF ACTIVITIES BEST REPRESENTED IN THE SAMPLE																
Energy	2.2	3.0	4.3	6.2	9.7	2.9	-2.2	13.2	8.2	8.6	7.5	8.7	4.7	5.0	4.0	5.2
Industry	9.6	-0.7	-1.5	7.6	18.4	8.1	11.4	12.0	8.4	8.9	9.0	9.1	4.6	4.8	4.8	5.2
Wholesale and retail trade	7.7	8.6	11.9	6.6	6.0	7.2	14.1	3.9	12.0	11.2	11.3	9.7	8.2	7.1	7.1	6.0
Transport and communications	7.9	3.9	3.8	7.0	23.3	5.1	5.4	18.9	8.4	11.4	11.1	13.5	4.2	6.8	6.4	9.1

SOURCE: Banco de España.

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

	<u>2003/2002</u>	<u>04 Q1-Q3/03 Q1-Q3</u>
Change in financial costs	-0.6%	-5,1%
A. Interest on borrowed funds (1+2)	-0.3%	-5,4%
1. Due to the cost (interest rate)	-9.1%	-4,8%
2. Due to the amount of interest-bearing debt	+8.8%	-0,6%
B. Commissions and cash discounts	-0.3%	+0,3%

It can be seen that, although in both periods interest-rate cuts continued to occur, the biggest ones were in 2003, when inflows of borrowed funds were also recorded which offset virtually in full the effect derived from the decline in rates. In 2004 to date, the CBQ figures show a slight decline in debt which will have to be confirmed in due course with the CBA data, the reduction in financial costs being explained essentially by the fall in interest rates.

The positive trend of ordinary net profit meant that the profit ratios held at high levels, reflecting the favourable situation of the Spanish corporate sector. The return on investment (ROI) ratios stood at 7.4% and 7.7% for 2003 and for the first three quarters of 2004, respectively. The stabilisation of financial costs at 4%, both in 2003 and in 2004 to date, mark a historical low in the CBA and CBQ series which, along with developments in the ROI, explain why the ratio measuring the difference between the return on investment and the cost of debt held at levels of 3.4% and 3.7%, respectively, and which is the ultimate reason for the high ordinary return on equity (before tax), which is standing at over 10.9% at the end of 2004 Q3. This situation is extensive to all sectors of activity, as can be seen in Table 5, where the returns obtained by transport and communications corporations are notable.

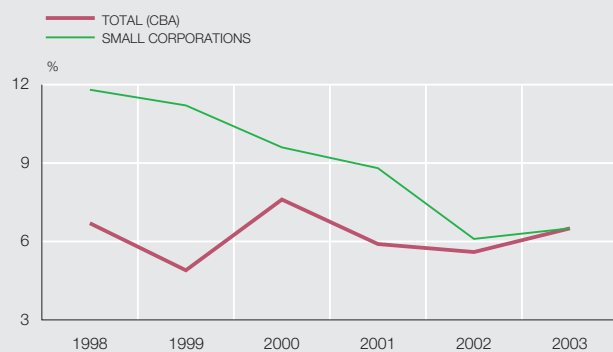
Analysis of captions 7 to 9 in Table 1 shows that, following a strongly anomalous year such as 2002 when there were significant capital losses and extraordinary provisions to recognise the lower value of certain investments abroad, in 2003 these captions returned to more habitual levels, which explains the fall in their rate in relation to the previous period. This performance influences that of net profit, whose rate for 2003 is not calculated in the table because the

The annual monograph published towards year-end by the Central Balance Sheet Data Office dedicates one of its chapters to analysing the activity of small and medium-sized enterprises. To do this it uses the information included in the databases constructed on the basis of the accounts filed with the Spanish Mercantile Registries (CBBE/RM, or CBB). Although these data are received with a greater lag than those of the CBA, the CBB includes a bigger number of corporations, the main limitation being the lesser degree of detail available when conducting analyses. The Central Balance Sheet Data Office also performs some data editing and consistency tests which ensures that analyses can be conducted on activity, employment and profit ratios, although it is not possible to draw up a statement of investment and financing flows of the type featured in Table 7 for the CBA.

Lastly, it should be recalled that all corporations which, due to their directing reporting status vis-à-vis the Central Balance Sheet Data Office, are already included in the sample used by the CBA have been excluded from the aggregate of corporations used in this database. In sum, this database is a valuable complement to the analyses performed by the Central Balance Sheet Data Office. It allows for observation of certain aspects which, due to the bias inherent in other databases, would remain hidden or would be more difficult to discern. The CBB data for 2002 include information on 286,963 corporations, which account for 12% of the GVA of non-financial corporations, while for 2003, up to the cut-off date for this article, information on 57,670 firms has been received, accounting for 2.3% in terms of coverage of the GVA of the national total.

RESULTS OF SMALL CORPORATIONS

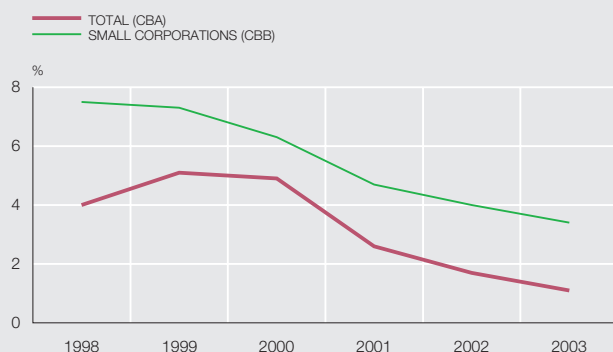
GROSS VALUE ADDED AT FACTOR COST
(Rate of change)



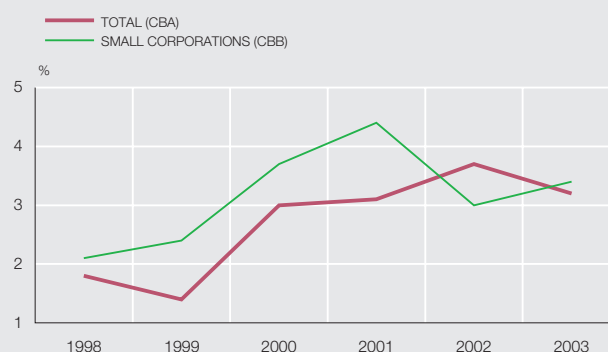
FINANCIAL COSTS
(Rate of change)



EMPLOYMENT
(Rate of change)



PERSONNEL COSTS PER EMPLOYEE
(Rate of change)



		1998	1999	2000	2001	2002	2003
Number of corporations	CBA	8,142	8,264	8,510	8,438	8,127	6,337
	CBB (a)	238,378	211,893	231,932	245,870	286,963	57,670
% of GDP of the sector non-financial corporations	CBA	33.6%	31.8%	30.7%	30.1%	28.9%	25.1%
	CBB (a)	12.1%	10.6%	10.8%	11.0%	12.0%	2.3%

SOURCE: Banco de España.

a. In the case of the "Employment" and "Personnel Costs per Employee" charts, the data relate to the sub-set of corporations with consistent employment figures (50% of the CBB total).

The CBB data showed that the productive activity of small and medium-sized firms held at a sustained growth rate in 2003, similar to that of 2002. GVA in this aggregate increased by 6.5% in 2003, compared with 6.1% the previous year. Similar to the case for the CBA sample, these figures were the outcome of continuity in terms of the sound performance of domestic demand, against an international economic background of relative uncertainty owing to the war in Iraq, which began in the first half of this year. However, there has been a progressive trend towards greater stability and a pick-up in dynamism as the end of the year has drawn closer. Across the different sectors the same continuity was seen, although prominent in this respect were market services companies and, among these, those engaging in real-estate and those of the sub-sector other business activities, which showed the most favourable developments in terms of productive activity, with sharper increases in GVA than in 2002. Personnel costs also held at a similar growth rate in 2003 to that of the previous year. Their rate of change, at 7.6%, was only 0.2 pp down on 2002. This was the outcome of lesser growth in the average number of staff, while average compensation grew by 3.4%, entailing a slight rise when compared with the 3% increase seen in average wages in 2002. The slightly rising trend of wage costs has been witnessed across the board in all sectors of activity, although it was sharpest in the industrial sector, with the growth of average wages rising from 3.1% in 2002 to 4.1% in 2003. As seen in the accompanying chart, this latter rate was similar to that of the CBA corporations. Unlike until 2001, the activity of the CBB corporations has not been moving at a higher rate than the CBA, and nor has CBB average compensation been lower than that of the CBA corporations. But there is a difference in terms of employment creation, where the rates of the CBB firms (4% and 3.4% in 2002 and 2003) have outpaced those of the CBA (1.7% and 1.1% in these years).

The foregoing developments meant that gross operating profit grew by 3.9% in 2003, slightly up on the previous year's figure of 1.8%. The moderate trend of the net financial burden, with growth of 1% (due essentially to the 12.9% decline in financial revenue, since financial costs continued to fall at a rate of 4.2%, in line with that for the CBA and the CBQ), along with the lower growth in depreciation and operating provisions in 2003, meant that ordinary net profit was able to increase by 1.9%. This was a favourable figure if it is taken into account that, in the two previous years, the related rates of change had been negative. As a result, SMEs held at acceptable profitability levels, virtually unchanged on those for 2002. The ordinary return on equity was 9.1% in 2003, only 0.1 pp up on the previous year. In terms of sectors, market services firms showed a more favourable ROE ratio, with a rise from 8.6% in 2002 to 9.2% the following year, in line with the trend of productive activity in this aggregate. In the industrial sector there was a slight deterioration in profit ratios, furthering the declining path on which this sector has moved since 1999 in the CBB. The slackness of investment in capital goods, combined with the international situation during these years, marked by greater uncertainty and slowing foreign trade, explains the trajectory of the industrial sector, the related developments for which in 2004 are not yet available in this database. Finally, the limited information available in this base on indebtedness highlights the fact that the trend of debt is similar to that described for the CBA, although its levels in terms of GVA are higher than for this latter aggregate. In conclusion, SMEs (i.e. the CBB corporations) are, generally, showing similar trends in activity, average compensation and profit ratios to those of the CBA corporations. The CBB corporations have been more active in employment creation and have had higher debt levels, in relative terms, in the recent period.

move from a position of scant to one of burgeoning profits gives rise to a very high rate, which is strongly conditioned by the low starting level. So far in 2004 there have not been any relevant events in this area, since the decline in the rates of extraordinary revenue recorded is due to the fact that in this period there have been no capital gains arising on the sale of shares on the level recorded in the first three quarters of 2003. These developments have been offset to some extent by additional reductions in capital losses and extraordinary provisions, whereby net profit has grown by 7.1% compared with the same period a year earlier. In any event, more relevant than the growth of net profit is its high level as a proportion of GVA, standing at 18% in the CBA for 2003 and at 27.1% in the CBQ for the first three quarters of 2004.

In conclusion, Spanish corporations have performed favourably overall, both in 2003 and in 2004 to date. Productive activity held on a path of stable and sustained growth, although a progressive change in the composition of the factors driving such growth has been discernible over the past two years. Hence, while private consumption continues to be the main driving force of the expansion, it appears to have progressively lost steam in favour of investment in capital goods which, in recent quarters, has taken on greater momentum. Greater international stability seems to have brought about a recovery in exports which, in any event, con-

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)		
	03 Q1 - Q3	04 Q1 - Q3	03 Q1 - Q3	04 Q1 - Q3	
Number of corporations	844	747	844	747	
Percentage of corporations by R <= 0% profitability bracket	23.7	23.5	26.7	26.3	
	0% < R <= 5%	20.2	21.4	15.7	16.2
	5% < R <= 10%	15.3	15.5	11.2	11.1
	10% < R <= 15%	11.1	10.9	9.4	8.9
	15% < R	29.7	28.7	37.0	37.5
Memorandum item: Average return	7.1	7.7	9.7	10.9	

SOURCE: Banco de España.

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

tinue to grow less sharply than imports. Against this background, the conflicts still under way in areas such as the Middle East and, above all, the high level of oil prices may endanger the current growth model, or at least restrict its intensity and duration. Faced with this, corporations, on the basis of their starting point of solvency and high profitability, should harness the sound financial conditions offered by the markets to undertake investment allowing them to modernise and become increasingly more competitive, maintaining balanced growth in their costs and ensuring, in this way, stable and durable growth in the medium and long term, with the generation of new investment and, therefore, of employment.

Investment flows and financing. The sector non-financial corporations in the CBA and in the National Accounts (Spanish National Accounts and FASE)

THE SECTOR NON-FINANCIAL CORPORATIONS ACCORDING TO THE CBA

The CBA information is complete and detailed, which allows analysts, using this source, to approximate investment and financing flows that cannot be analysed on the basis of the limited information compiled by the CBQ, which is geared for the study of the profit and loss account and for calculating profit ratios. The information referred to here is drawn from Chapter 3 of the Central Balance Sheet Data Office (CBSO) annual monograph (in Spanish only), which details the CBSO results in terms of National Accounts.

Table 7 offers a summary of the capital and financial flows recorded in the period 2001-2003 for the corporations reporting to the CBA, expressed as percentages of GVA. It would be meaningless to use absolute values, since the data refer to the group of reporting corporations which, moreover, are not always the same over time. Evidently, these flows are affected by the particular composition of the CBSO sample, which is biased towards larger corporations and industrial corporations. In practice, the sample does not take into account the effect of small and newly created corporations. The table infers that, in 2003, the capital resources of the companies reporting to the CBA exceeded by a very small amount (1.6% of GVA) their capital uses. That highlights the fact that the corporations in the sample, or at least the set available to the cut-off date for this publication, have not had to resort, in net terms, to the financial markets to finance their investments; on the contrary, they have a small surplus of loanable funds. Regarding gross capital formation, the most significant of capital uses, a rate of 12.9% has been determined for 2003 in relation to 2002 in nominal values (compared with 7.6% under National Accounts).

Regarding the financial account shown in Table 7 for the CBA corporations, there is a notable decline in financial transactions on both the asset and liabilities sides, in clear contrast to the

CBA

(Structure: GVA at basic prices = 100)

Databases	% of GVA at basic prices		
	2001	2002	2003
Number of corporations / Total national coverage	8438/30.1%	8127/28.9%	6337/25.1%
CAPITAL ACCOUNT			
1. Capital resources	27.9	29.4	32.9
1. Gross saving	29.0	31.0	33.0
2. Net capital transfers	-1.1	-1.6	0.0
2. Uses of capital	32.0	30.0	31.4
1. Gross capital formation	30.0	28.5	30.5
2. Other uses of capital	2.0	1.5	0.9
3. Statistical discrepancy	0.0	0.0	0.0
3. Net lending (+), net borrowing (-) (1 - 2 = 5)	-4.2	-0.6	1.6
FINANCIAL ACCOUNT			
4. Net financial assets acquired	64.8	25.2	0.8
1. Cash and deposits	0.2	0.8	0.5
2. Securities other than equity	-0.3	0.0	2.8
3. Loans	25.9	1.2	-5.4
4. Shares and other equity	39.0	23.2	2.9
5. Net financial operations plus net liabilities incurred (6 + 7)	64.8	25.2	0.8
6. Net financial operations (4 - 7 = 3)	-4.2	-0.6	1.6
7. Net liabilities incurred	68.9	25.8	-0.8
1. Securities other than equity	-0.9	-4.1	-3.4
2. Loans	38.3	18.4	1.4
2.1. Loans from financial institutions	7.5	7.9	-1.8
2.2. Loans from the rest of the world	2.4	-7.3	13.0
2.3. Loans from other resident sectors	28.4	17.8	-9.8
3. Shares and other equity	32.2	11.4	-3.6
4. Pension funds	-2.1	-1.9	0.0
5. Trade credit and other accounts payable (net)	1.4	2.0	4.9
MEMORANDUM ITEM: GVA at basic prices	98,685	100,486	93,004

SOURCE: Banco de España.

trend in previous years. Caption by caption, the small increases in the shares and other equity portfolio, the fall in the issuance of shares and other equity³, the decline in the net loans of other resident sectors (essentially loans from group companies) and the increase in loans vis-à-vis the rest of the world are all salient. The table also shows that, following three successive years of reductions in internal pension funds, i.e. of corporations' obligations in this connection to their dependent employees, such reduction has levelled off, since the process of externalising these commitments is nearing completion. The commitments are set up as technical reserves (liabilities) of insurance companies, the balancing entries of which on the asset side are the instruments in which the entitlements of these dependent employees ma-

3. This reduction is tied to the co-existence, in the period, of small issues by the CBA corporations and of a major operation by an electric holding company involving the absorption of its subsidiaries. Also, pending certain clarifications, the distribution by a major reporting corporation of share premiums to shareholders has been recorded provisionally as a deduction from shares and other equity.

Databases	% of GVA at basic prices		
	2001	2002	2003
CAPITAL ACCOUNT			
1. Capital resources	21.9	22.0	21.2
1. Gross savings	19.8	19.6	19.0
2. Net capital transfers	2.1	2.4	2.2
2. Uses of capital	30.9	30.7	30.3
1. Gross capital formation	29.9	29.2	29.5
2. Other uses of capital	0.1	0.1	0.1
3. Statistical discrepancy	0.9	1.3	0.6
3. Net lending (+), net borrowing (-) (1 - 2 = 5)	-9.0	-8.7	-9.1
FINANCIAL ACCOUNT			
4. Net financial assets acquired	17.1	20.6	18.5
1. Cash and deposits	4.1	5.4	2.8
2. Securities other than equity	0.8	1.4	2.2
3. Loans	2.2	-0.2	-0.1
4. Shares and other equity	12.2	13.8	13.5
5. Net financial operations plus net liabilities incurred (6 + 7)	17.1	20.6	18.5
6. Net financial operations (4 - 7 = 3)	-11.2	-8.5	-9.0
7. Net liabilities incurred	28.3	29.1	27.5
1. Securities other than equity	-0.2	-0.7	-0.3
2. Loans	21.6	19.2	20.3
2.1. Loans from financial institutions	13.0	12.6	14.2
2.2. Loans from the rest of the world	8.0	6.0	5.6
2.3. Loans from other resident sectors	0.5	0.5	0.5
3. Shares and other equity	10.5	12.1	10.0
4. Pension funds	-0.7	-0.5	-0.1
5. Trade credit and other accounts payable (net)	-2.9	-1.0	-2.5
MEMORANDUM ITEM: GVA at basic prices	327,849	347,612	370,021

SOURCE: Banco de España.

terialise⁴. Developments in the trade credits caption reveal that the commercial management policies of the corporations in the aggregate have enabled them to obtain an additional source of financing by this means, a source which grew in 2003. Tables 2.26 and 2.27 in the annual monograph confirm that there was indeed an increase in the average period of payment to suppliers, rising from 67 to 68 days for the sample as a whole. In the case of the average collection period, the trend was in fact the opposite, with a slight shortening of this figure, which fell from 52 days on average in 2002 to only 50 days in 2003. Across the sectors, it can be seen that both industry, where the average number of days taken to pay suppliers lengthened, and the wholesale and retail sector, thanks to a bigger reduction in average collection periods, were most favoured by this type of financing. Finally, debt in the CBA

4. Under Royal Decree-Law 1588/1999 and Law 14/2000, the process of externalisation should have concluded by mid-November 2002. Nonetheless, Law 44/2002 gave an additional extension to 31 December 2004 for some of these commitments, which apparently explains why there are still some pension funds pending externalisation on the balance sheets of the corporations.

The information compiled by the CBQ allows an overall analysis to be made of the situation of corporations with a lag of approximately three months in relation to the date of the last quarterly figures. The CBA provides for a more detailed analysis, but it is disseminated with a lag of approximately eleven months to the release date of the latest annual information. The different breakdowns available in both databases for certain captions hamper the compilation of a uniform profit and loss account that is compatible with both approaches (see Table 1 of the article). The problem is that certain CBQ items are not identical to those of the CBA. Accordingly, it is necessary to work with approximations when constructing a small time series with data from

both bases. The following table (which reproduces the structure featured in the first column of Table 1) shows that these approximations entail a minimum loss of information, whereby they do not substantially affect the analysis or reduce the capacity of the CBQ to anticipate the trends of the results which, with an additional lag of several months, the CBA disseminates. The structure of the profit and loss account featured in this box includes all the items of the CBA, the items that are not available in the CBQ having been highlighted with an explicit indication. As can be seen, these headings have a very limited weight in the set of costs and revenue that make up the profit and loss account in the table.

DATABASES	CBA 2003
Number of corporations	6337
Total national coverage	25.10%
PROFIT AND LOSS ACCOUNT	
1. VALUE OF OUTPUT (including subsidies)	100.0
Of which:	
1. Net amount of turnover and other operating income	131.0
2. (-) Consumption (wholesale and retail trade and real state sectors)	-33.1
a. Other items (not available in CBQ)	2.1
2. INPUTS (including taxes)	67.8
Of which:	
1. Net purchases	39.8
2. Other operating costs	27.6
Other items (not available in CBQ)	0.4
S.1. GROSS VALUE ADDED AT FACOR COST (1 - 2)	32.2
3. Personnel costs	16.3
S.2. GROSS OPERATING PROFIT (S.1 - 3)	15.9
4. Financial revenue	2.9
5. Financial costs	3.1
6. Depreciation and provisions	7.1
S.3. ORDINARY NET PROFIT (S.2 + 4 - 5 - 6)	8.6
7. Capital gains and extraordinary income	5.8
8. Capital losses and extraordinary expenses	3.5
9. Other (provisions and taxes)	5.2
S.4. NET PROFIT (S.3 + 7 - 8 - 9 - 10)	5.8

SOURCE: Banco de España.

sample in terms of GVA began to slow as from 2002 and to fall in 2003. The reduction in the debt of the CBQ corporations, in terms of GVA, appears to have begun in 2002 and stands below the CBA, which shows that it is the small and medium-sized companies of the CBA that maintain the biggest levels of debt.

THE SECTOR NON-FINANCIAL
CORPORATIONS ACCORDING TO
NATIONAL ACCOUNTS (SPANISH
NATIONAL ACCOUNTS AND FASE)

The Banco de España *Annual Report* and other specialist publications have analysed the capital and financial flows of non-financial corporations over the most recent period, drawing on the Spanish National Accounts and the Financial Accounts of the Spanish Economy (FASE). The aim of Table 8 is not to analyse these variables but to show the accounts for the total sector in the format of Table 7, highlighting in this way some of the characteristics of the CBA corporations in relation to the accounts that are reflected, in aggregate form, by the totals

for the sector. Table 8 shows that, unlike the CBA corporations, which have limited borrowing needs and even lending capacity in 2003, the borrowing requirements of the total sector over the past three years have held at close to 9% of GVA, essentially because they generate fewer capital resources than the CBA companies. This may be due, among other reasons, to the fact that the CBA does not include newly created corporations (numbering some 100,000 per year), which finance their investment by incurring debt before generating resources internally. Indebtedness in terms of the GVA of the total sector non-financial corporations has continued to grow in 2004 Q2 according to the FASE. And this, given the trend of debt in the CBQ and CBA samples, confirms that it is the smaller companies that are justifying this pattern in the recent period.

22.11.2004