RESULTS OF NON-FINANCIAL CORPORATIONS TO 2010 Q4 AND SUMMARY YEAR-END DATA

Overview[1]

The data gathered by the Central Balance Sheet Data Office Quarterly Survey (CBQ) to 2010 Q4 are a preliminary estimate of the results of non-financial corporations over the year as a whole. These will be finalised in November 2011 with the dissemination of the information from the Central Balance Sheet Data Office Annual Survey (CBA), which includes a broader sample of corporations and provides more detailed information. The corporations reporting to the CBQ have seen a slight pick-up in their productive activity in 2010 (see Table 1 and Chart 1). Over the same period their GVA grew by 3.7 % in nominal terms, in contrast to the negative rate recorded a year earlier (-8.3 %). The growth in 2010 was chiefly in the first half of the year, when GVA increased more sharply (around 6 % in nominal terms), with much smaller rises (of 1 % on average) in the second half of 2010. The slowdown in activity in the second half of the year is related both to the adverse impact exerted by the end of the Plan 2000E scheme for the purchase of new cars and to the bringing forward of consumer spending due to the increase in indirect tax on 1 July 2010.

Personnel costs shrank in 2010 by 1 %, continuing on the downward course initiated the previous year (-2 % in 2009). These negative rates mark a turnaround in the available time series, as these are the first years in which personnel costs have fallen in nominal terms. In both periods, the reduction was due both to the negative trend of employment and to the background of progressive wage restraint. The average number of workers thus fell by 1.8 % in 2010, furthering the contractionary trend begun the previous year, albeit at a slacker rate (in 2009 the reduction in employment in the CBQ database was 3.5 %). By type of contract, the decline was in both permanent and temporary employment, although it was temporary contracts that fell most sharply: -5.9 %, compared with -1.1 % in permanent employment. Nonetheless, the decline in the temporary employment figure in 2010 has eased notably compared with the previous year, when a negative rate of -16.1 % was posted. With regard to the sector of activity of the corporations, the decline in the average number of personnel continued to affect production branches across the board, although it was in the industrial sector and in the aggregate encompassing other activities (including, inter alia, companies in the construction sector) where the sharpest declines were recorded, -3.2 % and -2.3 %, respectively (see Tables 2.A and 2.B). Finally, the growth of average compensation eased in 2010, increasing only by 0.8 %, 0.8 pp down on 2009.

The recovery in productive activity in 2010, combined with the containment of personnel costs, enabled gross operating profit (GOP) to increase by 8.1 % over this period, compared with the decline of 13.6 % in 2009. As in the case of GVA, GOP slowed in the second half of the year, with the sharpest increases taking place in the first half of 2010, when a peak growth rate of 12.9 % was recorded. Financial revenue continued to decline in 2010 (-3.4 %), albeit less sharply than the previous year, when the related rate was -12.4 %. The trend of this item in 2010 is a result both of lower dividends received from subsidiaries and of the reduction in interest received on credit extended. Financial costs, for their part, posted growth of 4.3 % in 2010. This was due exclusively to the slight increase in financing received by the corporations, since financial costs dipped slightly, following the sharp reduction (31.4 %) they underwent in 2009. The performance of financial costs and revenue led the growth of ordinary net profit

1. The information which serves as a basis for this article is that sent by the 744 corporations which, on average, have reported their data to the Central Balance Sheet Data Office to 15 March 2011. The GVA generated by this aggregate accounts for 12.1 % of the total GVA of non-financial corporations for this 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

DATABASES	CBA STRUCTURE 2009	CBA 2008	CBA 2009	CBQ (a) 08 Q1-Q4/ 07 Q1-Q4	CBQ (a) 09 Q1-Q4/ 08 Q1-Q4	CBQ (a) 10 Q1-Q4/ 09 Q1-Q4
Number of corporations		9.583	9.217	816	805	744
Total national coverage		31,4%	28,7%	13,1%	12,8%	12,1%
PROFIT AND LOSS ACCOUNT:						
1 VALUE OF OUTPUT (including subsidies)	100.0	-0.1	-13.3	-0.1	-13.8	8.8
Of which:						
Net amount of turnover and other operating income	*147.4*	*1.3*	*-13.7*	*0.1*	*-13.6*	*10.0*
2 INPUTS (including taxes)	65.1	1.2	-16.1	1.5	-16.5	11.7
Of which:						
– Net purchases	*89.5*	*0.8*	*-19.2*	*-0.4*	*-23.0*	*14.2*
– Other operating costs	*22.7*	*2.2*	*-6.7*	*4.9*	*-5.7*	*9.6*
S.1 GROSS VALUE ADDED AT FACTOR COST [1 – 2]	34.9	-2.7	-7.6	-3.0	-8.3	3.7
3 Personnel costs	20.9	3.9	-3.4	3.2	-2.0	-1.0
S.2 GROSS OPERATING PROFIT [S.1 – 3]	14.0	-10.2	-13.3	-7.5	-13.6	8.1
4 Financial revenue	5.2	6.8	-17.3	9.6	-12.4	-3.4
5 Financial costs	4.4	13.8	-29.5	17.0	-31.4	4.3
6 Net depreciation, impairment and operating provisions	6.4	7.5	-5.1	3.9	-1.1	3.1
S.3 ORDINARY NET PROFIT [S.2 + 4 – 5 – 6]	8.4	-21.4	-11.2	-17.0	-7.6	6.5
7 Gains (losses) from disposals and impairment (b)	1.8	-	-	-	-	-
7' As a percentage of GVA (7 / S.1)		-6.8	5.1	-9.0	7.4	-1.6
8 Changes in fair value and other gains (losses) (b)	-1.8	-	-3.8	38.5	-29.3	73.8
8' As a percentage of GVA (8 / S.1)		-4.3	-5.1	-6.1	-8.3	-2.0
9 Corporate income tax	0.9	-66.4	49.4	-89.5	-	77.3
S.4 NET PROFIT [S.3 + 7 + 8 – 9]	7.5	-56.7	56.0	-50.1	53.9	4.3
S. 4' As a percentage of GVA (S.4 / S.1)		12.5	21.5	16.8	28.8	29.0
PROFIT RATIOS	Formulas (c)					
R.1 Return on investment (before taxes)	(S.3 + 5.1) / NA	7.6	6.2	7.5	6.2	6.0
R.2 Interest on borrowed funds/ interest-bearing borrowing	5.1 / IBB	5.1	3.5	5.0	3.3	3.4
R.3 Ordinary return on equity (before taxes)	S.3 / E	9.9	8.7	9.7	8.9	8.3
R.4 ROI – cost of debt (R.1 – R.2)	R.1 – R.2	2.5	2.7	2.4	2.9	2.6

SOURCE: Banco de España.

a. All the data in these columns have been calculated as the weighted average of the quarterly data.
b. New P&L headings resulting from application of the new General Chart of Accounts (PGC 2007).
c. 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 cots (5.2).
NB: In calculating rates, internal accounting movements have been edited out of items 4, 5, 7 and 8.

(ONP) to slacken somewhat compared with that of GOP, and it posted a rate of change of 6.5 % in 2010, set against its 7.6 % reduction the previous year. The increase in ONP was in all sectors of activity, with the sole exception of information and communications, where it fell in 2010 (-10.1 %), although the decline here was less than that a year earlier (-15.5 %).

Returns fell slightly in 2010 compared with those in 2009, following the strong decline they underwent that year. The return on investment stood at 6 % in 2010, 0.2 pp down on 2009 (6.2 %), while the return on equity declined by 0.6 pp to 8.3 %. Both ratios had posted much more pronounced declines in 2009, of 1.3 pp and 0.8 pp, respectively. The ratio measuring the cost of debt (R.2) stabilised in 2010 at slightly over 3 % (3.4 % in 2010 and 3.3 % in 2009), after having declined strongly in 2009. The course of the return on investment and of the cost of debt ratios meant that the spread between the two remained positive in 2010, standing at

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

CHART 1

REPORTING NON-FINANCIAL CORPORATIONS		2005	2006	2007	2008	2009	2010
Number of corporations	CBA	9,123	9,276	9,321	9,583	9,217	—
	CBQ	813	830	849	816	805	744
% of GDP of the sector non-financial corporations	CBA	32.6	33.5	33.9	31.4	28.7	—
	CBQ	14.8	14.6	14.3	13.1	12.8	12.1

SOURCE: Banco de España.

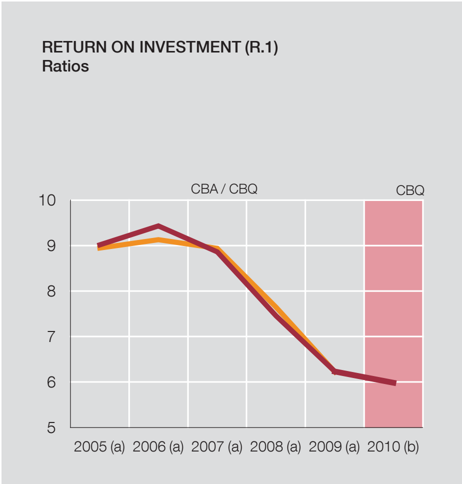
a. 2005, 2006, 2007, 2008 and 2009 data drawn from corporations reporting to the annual survey (CBA), and average data of the four quarters of each year in relation to the previous year (CBQ).
b. Average of the first four quarters of 2010 relative to the same period in 2009.

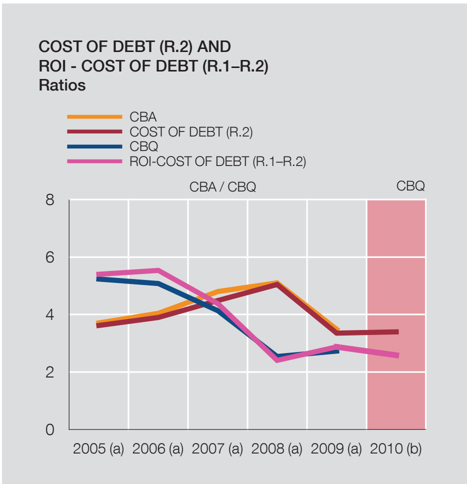
2.6, which nevertheless entails a slight decline compared with the figure of 2.9 the previous year. By sector, this spread did not change relatively and significantly across the board compared with a year earlier, although there was a notable improvement in wholesale and retail trade (from 1.4 to 1.8 in 2010) and, above all, in industry, where the spread was positive in 2010 (0.2) following the negative figure for 2009 (-1.2).

Finally, an analysis of extraordinary items in 2010 highlights the existence of strong variations in gains and losses which, though they partly offset one another, slightly lessen the growth of

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

CHART 1





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profit for the year. Thus, the item relating to disposals and impairments fell significantly in 2010, both because there were strong capital gains in 2009 on the sale of shareholdings and tangible fixed assets, and because of the impairment in 2010 in certain investments made. However, this fall is offset by the favourable course of the item that reflects changes in fair value and other extraordinary items, following the strongly negative amount recorded under this heading in 2009. Lastly, the increase in corporate income tax for 2010 is due both to the growth of ordinary profit for the year and to the existence, in 2009, of certain extraordinary tax-exempt operations for a most significant amount. As a result, profit for the year grew by 4.3 %, below

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				PERSONNEL COSTS PER EMPLOYEE			
	CBA		CBQ (a)		CBA		CBQ (a)		CBA		CBQ (a)		CBA		CBQ (a)	
	2008	2009	09 Q1-Q4	10 Q1-Q4	2008	2009	09 Q1-Q4	10 Q1-Q4	2008	2009	09 Q1-Q4	10 Q1-Q4	2008	2009	09 Q1-Q4	10 Q1-Q4
Total	-2.7	-7.6	-8.3	3.7	0.9	-4.9	-3.5	-1.8	3.9	-3.4	-2.0	-1.0	3.0	1.6	1.6	0.8
SIZE:																
Small	-8.4	-11.2	—	—	-3.7	-7.1	—	—	2.1	-6.1	—	—	6.1	1.0	—	—
Medium	-4.1	-8.6	-12.9	7.0	-1.4	-5.6	-6.1	-2.9	3.7	-4.2	-4.9	-1.1	5.1	1.5	1.2	1.9
Large	-2.4	-7.4	-8.1	3.6	1.3	-4.7	-3.3	-1.8	4.0	-3.2	-1.8	-1.0	2.6	1.6	1.6	0.7
BREAKDOWN BY ACTIVITY:																
Energy	3.2	-6.0	-7.1	7.7	3.7	-1.8	-0.7	-1.6	6.4	0.9	1.1	0.8	2.5	2.8	1.8	2.4
Industry	-9.2	-15.8	-23.4	16.3	-1.4	-6.8	-6.7	-3.2	1.7	-6.7	-6.7	-1.5	3.1	0.2	0.1	1.7
Wholesale & retail trade & accommodation & food service activities	-1.9	-6.5	-7.7	4.8	1.2	-5.2	-5.6	-0.6	3.9	-4.3	-5.2	0.1	2.7	1.0	0.5	0.7
Information and communication	0.9	-4.3	-6.4	-4.7	1.9	-2.4	-1.0	-1.8	3.7	-0.3	0.3	0.8	1.8	2.2	1.4	2.7
Other activities	-2.1	-4.7	-4.0	3.3	1.2	-4.6	-1.5	-2.3	5.0	-2.6	0.3	-2.5	3.7	2.1	1.8	-0.2

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 2010 Q1 - Q4	CORPORATIONS INCREASING (OR NOT CHANGING) STAFF LEVELS	CORPORATIONS REDUCING STAFF LEVELS
Number of corporations		744	355	389
PERSONNEL COSTS:				
Initial situation 09 Q1-Q4 (€m)		28,676.9	11,103.6	17,573.3
Rate 10 Q1-Q4/ 09 Q1-Q4		-1.0	2.3	-3.1
AVERAGE COMPENSATION:				
Initial situation 09 Q1-Q4 (€)		44,845.8	44,942.5	44,785.0
Rate 10 Q1-Q4/ 09 Q1-Q4		0.8	-1.5	2.4
NUMBER OF EMPLOYEES:				
Initial situation 09 Q1-Q4 (000s)		639	247	392
Rate 10 Q1-Q4/ 09 Q1-Q4		-1.8	3.8	-5.4
Permanent	Initial situation 09 Q1-Q4 (000s)	544	213	331
	Rate 10 Q1-Q4/ 09 Q1-Q4	-1.1	2.6	-3.5
Non-permanent	Initial situation 09 Q1-Q4 (000s)	95	34	61
	Rate 10 Q1-Q4/ 09 Q1-Q4	-5.9	11.5	-15.7

SOURCE: Banco de España.

the related figure for ONP. This rate is strikingly lower than that for 2009, when profit for the year increased by 53.9 %, strongly influenced by the changes in extraordinary items. Conversely, the structure of final profits over GVA held virtually stable in 2010 compared with the previous year, standing in both cases at around 29 %.

In sum, after having contracted strongly in the previous years, the non-financial corporations reporting to the CBQ saw a slight pick-up in their activity in 2010, which progressively lost momentum as the year unfolded and which was unable to prevent employment from continuing to fall across the board in all sectors of the sample. This recovery, along with the reduction in wage costs and the containment of financial costs, has allowed them to maintain profitability levels that are only slightly lower than those of the previous year.

Activity

In 2010, the activity of CBQ non-financial corporations picked up slightly, as a result of which their GVA increased by 3.7 % over the year as a whole, after having shrunk by 8.3 % a year earlier. The recovery in activity was due to the improvement in demand, which reactivated corporations' output (this grew by 8.8 % in 2010, after having declined by 13.8 % the previous year). The recovery was largely due to the positive contribution of external activity, leading both exports and imports to gain in significance in terms of their relative weight in corporations' total sales and purchases (see Table 3). The pick-up in activity was much sharper in the first half of the year, when the average increase in GVA was close to 6 %, and slackened notably in the second half of 2010, when the growth of activity stood at around 1 %. Influencing these developments was the impact that certain temporary measures had on spending decisions. Such measures included most notably the end of the 2000E scheme to renew the car stock, which bore down particularly on the car manufacturing and marketing sectors, and the increase in indirect tax, which came into force on 1 July.

An analysis of the different sectors shows that in all of them there was a substantial improvement in productive activity (see Table 2.A), with the exception of the information and communications sector, the only one in which GVA continued to move on a contractionary course (-4.7 %), albeit one less acute than a year earlier, when the related rate was -6.4 %. The fall in GVA in this sector has been influenced by the commercial strategies of the major corporations in the telecommunications sector; against a strongly competitive background, these companies considerably narrowed their margins in 2010. At the opposite extreme is the industrial sector, which posted the biggest fall in 2009. This sector benefited from the increase in external activity and its GVA increased by 16.3 % in 2010 (see Box 1). As a result, the industrial corporations recouped part of the declines they had built up in the two previous years, when aggregate GVA had worsened sharply (-12.8 % in 2008 and -23.4 % in 2009, in the quarterly sample). The energy sector also posted a notable increase in GVA in 2010: 7.7 %, compared with a decline of 7.1 % the previous year. This turnaround was also seen in oil refining corporations and in the electricity, gas and water utilities. In the case of oil refining corporations, influenced by the swings in oil prices and by the related impact on commercial margins, there was a shift from a 52.5 % reduction in GVA in 2009 to a 45.5 % increase in 2010 (see Chart 2). As to the GVA of electricity, gas and water utilities, which had dipped moderately (-1.2 %) in 2009, there was an increase of 5.2 % in 2010, induced both by the growth in demand for electric power (up 2.9 %, according to Red Eléctrica figures) and by the lower production costs borne by the electricity generating companies, which were able to use to a greater extent hydroelectric power plants, replacing fossil-fuel plants. The wholesale and retail trade and accommodation and food service activities sector also trended favourably in 2010, thanks to the better performance of private consumption, especially in the first half of the year. Over the year as a whole, the GVA of the corporations in this aggregate increased by 4.8 %, compared with a reduction of 7.7 % in 2009. Finally, in line with the behaviour described for the overall quarterly

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

TABLE 3

		CBA		CBQ (a)	
		2008	2009	09 Q1-Q4	10 Q1-Q4
Total corporations		9,217	9,217	744	744
Corporations reporting source/destination		9,217	9,217	703	703
Percentage of net purchases according to source	Spain	65.4	68.2	85.7	84.5
	Total abroad	34.6	31.8	14.3	15.5
	EU countries	*17.8*	*17.0*	*9.6*	*10.2*
	Third countries	*16.8*	*14.8*	*4.7*	*5.2*
Percentage of net turnover according to destination	Spain	84.8	85.1	91.9	90.8
	Total abroad	15.2	14.9	8.1	9.2
	EU countries	*10.3*	*10.1*	*5.4*	*6.4*
	Third countries	*4.9*	*4.7*	*2.7*	*2.8*
Change in net external demand (exports less imports), rate of change	*Industry*	*-12.7*	*21.5*	*18.6*	*-10.1*
	Other corporations	*-5.0*	*39.6*	*53.2*	*97.9*

SOURCE: Banco de España.

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

sample, the activity of corporations included in other activities also picked up in 2010, with a 3.3 % increase in GVA, compared with the previous year's reduction of 4 %.

The figures in Chart 3 distribute the CBQ corporations on the basis of their GVA growth rate, without taking into account their size or the sector to which they belong.

The main conclusion to be drawn from the chart is that the number of corporations with increases in GVA rose significantly in 2010 to stand at 50.6 %, slightly more than 11 pp up on the previous year. Further, it was the segment of corporations with sharper declines in GVA (over 20 %) that recorded the most evident improvement, with the percentage of sample corporations included falling from 34.3 % in 2009 to 23 % in 2010.

Employment and personnel costs

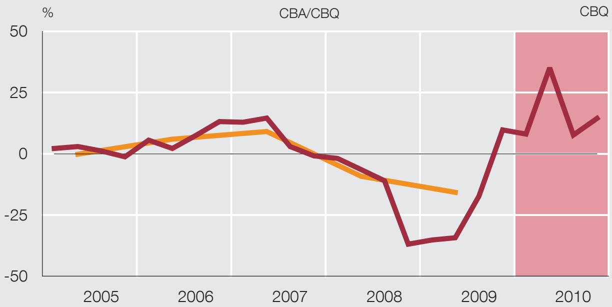
Personnel costs fell by 1 % in 2010, performing similarly though less intensely than in 2009, when they declined by 2 %. This was due both to the moderation in the growth rate of average compensation and to reductions in the average number of employees, and it is the second time personnel costs, in nominal terms, have posted negative rates in the time series available (the records begin in 1985 in the case of the CBA).

The employment figures remained negative in 2010, although the decline eased in relation to the previous year. Staff adjustments thus continued to affect a majority of the corporations and all sectors in the sample (see Table 2.A) and, as a result, the average number of employees fell by 1.8 % in 2010, a less negative rate than that of -3.5 % recorded a year earlier. The figures in Table 4 confirm that more than half the corporations comprising the quarterly sample (56.1 %) cut their average staffing numbers in 2010, although this figure marks an improvement on the previous year, when the percentage of corporations with staff cuts rose to 62.7 %. The sharpest

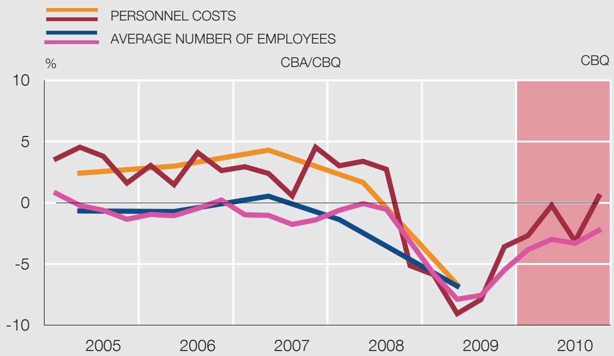
The information gathered by the Central Balance Sheet Data Office Quarterly Survey (CBQ) on the industrial sector shows that in 2010 its productive activity recouped some of the ground lost during the sharp deterioration of the preceding two years. Thus in 2010 GVA grew by 16.3% compared with decreases of -12.8% and -23.4% in 2008 and 2009, respectively, according to CBQ data. The growth of industrial activity in 2010 was largely fuelled by the positive performance of exports, which grew by 26%. This growth was most appreciable in the first half of the year, and, on total sample firm data, slowed in the last two quarters. The positive performance of activity extended to all industrial sub-sectors, including most notably the manufacture of metal and mineral products and of chemicals, whose GVA rose most sharply in 2010 (by 47.1% and 27.1%, respectively). On the down side, the manufacture of computer and electronic products posted a decrease in GVA in 2010 (of -5.7%) which was much less sharp than in the previous year, when it fell by -29.4%. The personnel costs of total CBQ industrial firms decreased by -1.5%, mainly due to the decline in employment. In 2010 the average number of employees fell by -3.2%, which, however, was a less negative change than a year earlier, when jobs fell by -6.7%. Meanwhile, average compensation grew by 1.7% in 2010, a rate exceeding that of the total CBQ sample. The recovery in activity fed through to the other results from ordinary activity, giving rise to notable increases in both gross operating profit (70%) and in ordinary net profit (the rate of change of which cannot be calculated because its sign went from negative to positive). This meant that the returns on ordinary activities increased, recouping a portion of the decline of the past two years. Thus in 2010 the return on investment and return on equity rose to 4.2% and 4.4%, compared with 2.5% and 1.4%, respectively, in the previous year. The cost of debt (ratio R.2) increased slightly by 0.3 pp to 4%, so the difference between ROI and cost of debt again became positive, albeit only slightly so, at 0.2, after standing at -1.2 in 2009. However, analysis of the quarterly behaviour shows that ROI minus cost of debt returned to negative values in the last two quarters of 2010, evidencing the weakness of this recovery of the industrial sector.

PERFORMANCE OF THE INDUSTRIAL CORPORATIONS REPORTING TO THE CBSO

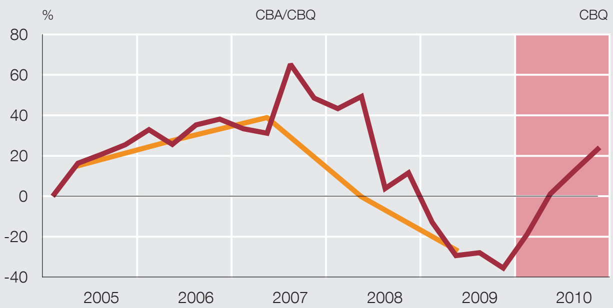
GROSS VALUE ADDED AT FACTOR COST
Rate of change



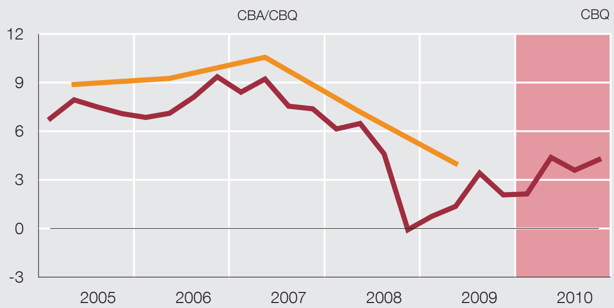
EMPLOYMENT AND WAGES
Rate of change



FINANCIAL COSTS
Rate of change



RETURN ON INVESTMENT
Ratio

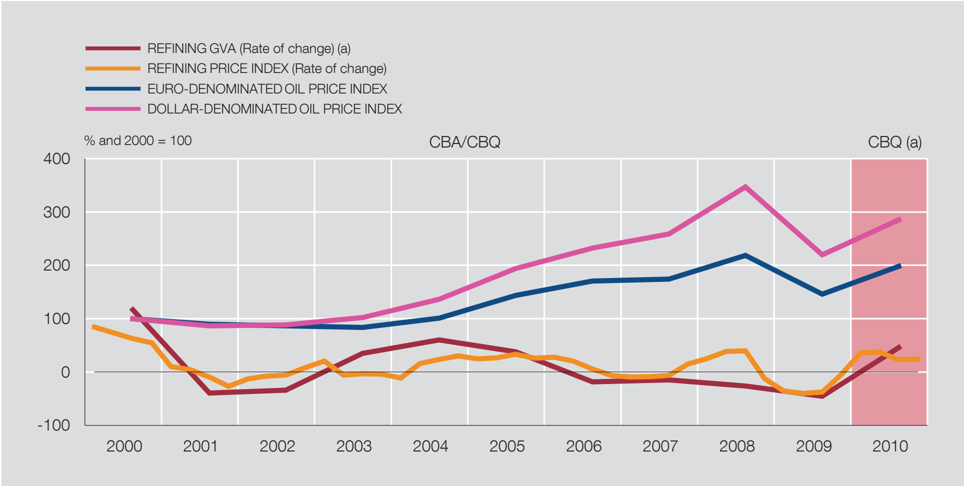


REPORTING INDUSTRIAL CORPORATIONS		2005				2006				2007				2008				2009				2,010			
Number of corporations	CBA	2,408				2,397				2,376				2,411				2,271				—			
	CBQ	319	308	300	292	313	298	286	277	307	297	283	278	281	270	257	246	246	242	238	225	231	225	205	152
% of GDP of the sub-sector industrial corporations	CBA	28.2				30.7				34.1				29.6				23.8				—			
	CBQ	19.0	19.5	16.8	17.1	18.4	17.4	16.2	17.3	19.3	19.5	16.6	17.0	16.3	16.1	12.6	8.9	10.8	11.0	11.9	9.9	10.9	12.3	9.5	7.8

SOURCE: Banco de España.

IMPACT OF OIL PRICES ON THE REFINING SECTOR

CHART 2

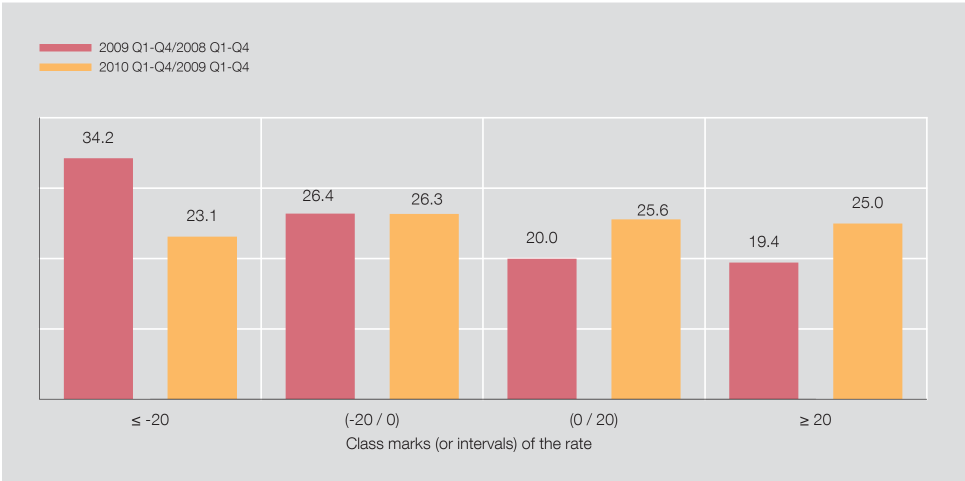


SOURCES: Banco de España and Ministerio de Industria, Turismo y Comercio (Informe mensual de precios).

a. 2010 data relate to the CBQ.

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

CHART 3



SOURCE: Banco de España.

reductions continued to be concentrated in temporary contracts (5.9 %), although this negative rate slowed considerably in relation to that for 2009, when temporary employment declined by 16.1 %. Permanent employment also fell (by 1.1 %) in 2010, along very similar lines to 2009, when the related decline was 1 %. Although all sectors showed reductions in average staffing, in industry and in the wholesale and retail trade and accommodation and food service activities the pace of job destruction slowed ostensibly, with declines of 3.2 % and 0.6 % in 2010, respectively, compared to the reductions of 6.7 % and 5.6 % the previous year. Conversely, in the remaining sectors staff adjustments stepped up compared with 2009.

Average compensation held in 2010 on a moderate growth path of 0.8 %, half the increase recorded the previous year. However, analysis of the changes in these costs by sector of activity (see Table 2.A) reveals the existence of highly differentiated behaviour. On one hand,

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

TABLE 4

	CBA			CBQ (a)		
	2007	2008	2009	08 Q1-Q4	09 Q1-Q4	10 Q1-Q4
Number of corporations	9,321	9,583	9,217	816	805	744
PERSONNEL COSTS	100	100	100	100	100	100
Falling	26.0	32.1	57.2	33.7	57.3	50.6
Constant or rising	74.0	67.9	42.8	66.3	42.7	49.4
AVERAGE NUMBER OF EMPLOYEES	100	100	100	100	100	100
Falling	31.4	42.0	54.2	46.4	62.7	56.1
Constant or rising	68.6	58.0	45.8	53.6	37.3	43.9

SOURCE: Banco de España.

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

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

TABLE 5

	GROSS OPERATING PROFIT				ORDINARY NET PROFIT				RETURN ON INVESTMENT (R.1)				ROI-COST OF DEBT (R.1-R.2)			
	CBA		CBQ (a)		CBA		CBQ (a)		CBA		CBQ (a)		CBA		CBQ (a)	
	2008	2009	09 Q1-Q4	10 Q1-Q4	2008	2009	09 Q1-Q4	10 Q1-Q4	2008	2009	09 Q1-Q4	10 Q1-Q4	2008	2009	09 Q1-Q4	10 Q1-Q4
Total	-10.2	-13.3	-13.6	8.1	-21.4	-11.2	-7.6	6.5	7.6	6.2	6.2	6.0	2.5	2.7	2.9	2.6
SIZE:																
Small	-26.6	-23.5	—	—	-49.6	-41.8	—	—	4.4	3.3	—	—	0.1	0.2	—	—
Medium	-15.2	-16.1	-24.0	20.6	-32.0	-21.6	-37.9	43.7	5.9	4.6	4.3	6.2	1.2	1.4	0.5	3.2
Large	-9.4	-12.8	-13.3	7.8	-20.0	-10.0	-6.6	5.6	7.8	6.3	6.3	6.0	2.7	2.8	2.9	2.6
BREAKDOWN BY ACTIVITY:																
Energy	1.7	-9.2	-9.3	9.7	-5.0	-9.9	-3.8	0.4	7.9	7.0	7.1	6.3	3.0	3.4	3.7	3.0
Industry	-22.2	-29.6	-50.8	70.0	-30.1	-50.2	-66.9	-	7.2	4.0	2.5	4.2	2.1	0.4	-1.2	0.2
Wholesale & retail trade and accommodation & food service activities	-10.4	-10.4	-12.3	14.9	-27.3	-2.7	-19.4	32.2	7.8	7.1	4.8	5.3	2.6	3.6	1.4	1.8
Information and communication	-0.4	-6.5	-8.6	-6.5	6.6	-13.4	-15.5	-10.1	22.0	20.4	28.4	27.7	16.4	15.6	23.3	22.9
Other activities	-17.1	-10.4	-13.1	16.9	-45.3	34.8	-	30.4	6.2	5.2	5.1	4.6	1.1	1.9	0.6	0.6

SOURCE: Banco de España.

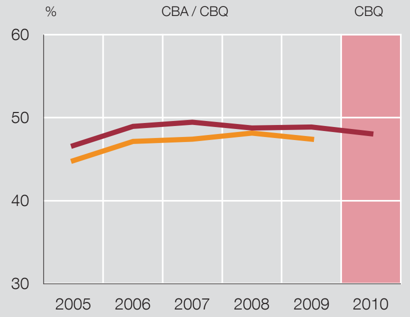
a. All the data in these columns have been calculated as the weighted average of the quarterly data.

in the energy, industry, and information and communications aggregates, average wage cost increases were above the mean, at around 2 %, and above the growth for the previous year. Conversely, in the wholesale and retail trade and accommodation and food service activities sectors and, above all, in the aggregate encompassing the remaining activities, the moderation in average compensation was far greater (0.7 % and -0.2 %, respectively), and there was even a reduction in the latter aggregate. Lastly, Table 2.B allows for a separate analysis of employment and average compensation in corporations with constant or rising staff numbers, and also in corporations where the number of jobs fell. The figures highlight that it was in this latter group of corporations (with falling staff numbers) that average compensation

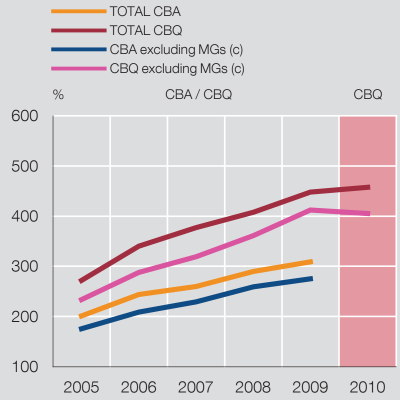
DEBT RATIOS

CHART 4

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



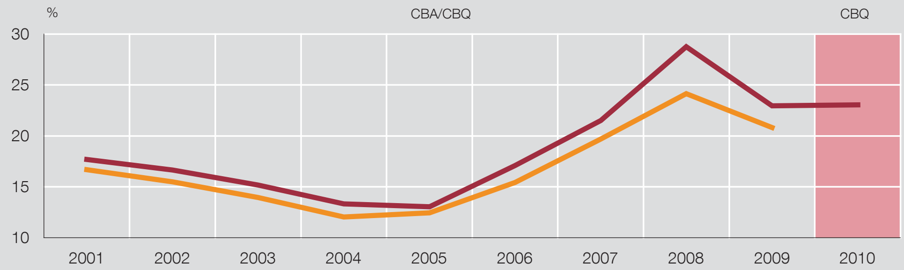
E2. INTEREST-BEARING BORROWING/GVA (b)
Ratios



	2005	2006	2007	2008	2009	2010
CBA	44.8	47.1	47.4	48.2	47.4	
CBQ	46.6	49.0	49.5	48.8	48.9	48.1

	2005	2006	2007	2008	2009	2010
CBA	200.9	243.8	259.9	289.8	309.0	
CBQ	271.6	339.9	377.0	407.7	447.8	457.6
CBA excl. MGs	175.8	208.6	229.2	258.8	275.4	
CBQ excl. MGs	233.4	287.8	318.8	361.2	412.1	405.2

INTEREST BURDEN
(Interest on borrowed funds) / (GOP + financial revenue)



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
CBA	16.7	15.5	14.0	12.0	12.5	15.4	19.7	24.1	20.8	
CBQ	17.7	16.7	15.2	13.3	13.0	17.1	21.5	28.8	23.0	23.1

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.

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)	
		09 Q1-Q4	10 Q1-Q4	09 Q1-Q4	10 Q1-Q4
Number of corporations		805	744	805	744
Percentage of corporations by profitability bracket	R <= 0%	33.5	29.7	38.2	34.2
	0% < R <= 5%	23.9	25.0	16.7	17.4
	5% < R <= 10%	15.3	15.4	11.4	11.5
	10% < R <= 15%	6.3	7.2	6.5	7.7
	15% < R	21.1	22.6	27.2	29.3
MEMORANDUM ITEM: Average return		6.2	6.0	8.9	8.3

SOURCE: Banco de España.

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

grew more sharply (2.4 %), while in corporations with constant or rising average staff levels, average personnel costs even declined slightly (1.5 %), a change associated with the lower wages of new employees.

Profits, rates of return and debt

The growth of productive activity in 2010, along with the slight reduction in personnel costs, translated into an increase in gross operating profit (GOP) of 8.1 %, after two years in which the latter had fallen sharply by -7.5 % (2008) and by -13.6 % (2009) –see Table 5. GOP performed positively in 2010 and, as in the case of GVA, slowed gradually from Q3. Financial costs grew slightly in 2010 (4.3 %), following their strong decline in 2009 (-31.4 %). This had the result that the ratio measuring corporations' net interest burden, i.e. the proportion between interest on borrowed funds and the income available to cover such interest (GOP plus financial revenue, see Chart 4) held in 2010 at around 23 %, similar to the level for 2009, following its sharp fall in that year. Financial costs, after decreasing in 2009, due to the reductions in interest rates passing through to corporations' costs during that year, increased slightly in 2010 as shown in the following table:

	10 Q1 to Q4 / 09 Q1 to Q4
Change in financial costs	**+4.3%**
A. Interest on borrowed funds	*+5.0%*
1 Due to the cost (interest rate)	-0.4%
2 Due to the amount of interest-bearing debt	+5.4%
B. Other financial costs	*-0.7%*

The information above highlights that the slight rise in financial costs in 2010 is due solely to the increase in borrowing. The change due to interest rates was virtually zero in the year as a whole as a result of corporations' financial costs stabilising at very low levels of slightly above 3 %. In any event, the inflow of fresh borrowed funds at firms in the CBQ sample, albeit small, prevented their average debt level from decreasing significantly. In effect, as can be verified by analysing ratio E1 (see Chart 4), which shows the ratio of borrowed funds to total interest-bearing liabilities, in 2010 there was only a modest fall in the level of debt with respect to 2009. Gross fixed capital formation for the quarterly survey decreased during 2010 by -9 %. Lastly, the debt analysis can be completed with the ratio E2, which measures firms' ability to repay their debt out of surpluses obtained from their ordinary activity (GVA). After increasing continuously for several years, in 2010 this ratio performed more stably as firms raised funds at a very similar pace to the rate of increase in GVA.

Financial revenue decreased by -3.5 % in 2010 due to the reduction in dividends from subsidiaries and lower interest received on loans extended. The combined effect of the decrease in this revenue and the meagre increase in financial costs slightly moderated the growth rate of ordinary net profit (ONP) to 6.5 %. Nevertheless, this rate is highly positive compared with the performance of this surplus in 2009 when it posted a decline of -7.6 %. The behaviour of ONP and financial costs (items used to calculate rates of return) resulted in a decline in the rates of return on ordinary activities, albeit at a much lower pace than that of the sharp decreases in 2009 (see Table 5). Consequently, the return on investment stood at 6 % in 2010, 0.2 pp lower than in the previous year, whereas the return on equity decreased somewhat more by 0.6 pp to 8.3 % for 2010. The fall in the return on investment was chiefly due to the declines in the energy sector and the aggregate that groups together other activities which are less well represented. Conversely, the return on investment of industrial firms in the sample has recovered strongly from 2.5 % in 2009 to 4.2 % in 2010. The ratio that measures the cost of debt (R.2) stabilised in 2010 at 3.3 %, which is practically identical to the previous year's level and, consequently, the difference between the return on investment and financial costs was positive in 2010, amounting to 2.6, 0.3 pp down on the difference in 2009. The most salient information of the sectoral breakdown is the beneficial effect of the pick up in industrial activity on the industrial sector, as a result of which the difference between returns and cost turned positive, albeit very modestly at 0.2, following the clearly negative data in 2009 (-1.2).

Lastly, the analysis of extraordinary results shows that during 2010 there were considerable changes which, although largely offset, ultimately had a negative impact on net profit, slightly slowing down its growth with respect to that of ordinary net profit. Thus, on one hand, although the results from disposals and impairment remained positive, they contracted strongly due to the fall in revenue from capital gains (which were highly substantial in 2009) and the impairment recorded on certain financial investments of Spanish multinationals in 2010. On the other, the losses recorded under the changes in fair value and other gains (losses) which covers various types of costs and revenue (the valuation of assets at fair value, exchange differences, indemnity payments and other extraordinary costs and revenue) decreased sharply in 2010 from the high levels they had reached in the previous year. Lastly, corporate income tax rose substantially on account of the increase in ordinary profit (net of those dividends received which were not part of the tax base for the avoidance of double taxation) and the impact on this item of certain extraordinary tax-exempt operations in 2009. The combined effect of these changes had a negative impact on the performance of net profit, which posted growth of 4.3 %, slightly lower than that of ONP. This moderate growth contrasts with that of the previous year (+53.9 %), which was attributable to the volatile performance of extraordinary items in 2008 and in 2009. Consequently, it is appropriate to compare net profit for 2010 with that of previous years, as a percentage of GVA. In this case, this percentage stood at 29 %, practically identical to the previous year's figure, since the two surpluses which make up this ratio (net profit and GVA) grew at a very similar pace in 2010.

15.3.2011.