

Results of non-financial corporations in 2018 Q1

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On information from the Banco de España Central Balance Sheet Data Office Quarterly Survey (CBQ), non-financial corporations continued to post increases in productive activity, employment and ordinary profits in 2018 Q1, which translated into a fresh increase in aggregate profitability levels; however, signs of some slowdown in the main ordinary operating surpluses are discernible. Debt ratios rose during the opening months of the year, but the debt burden ratio continued to fall; accordingly, overall, there were no significant changes in the degree of financial pressure on companies. The article includes a box that sets out the methodology used to obtain re-weighted rates, resulting from the application of the sectoral weight of firms in the economy as a whole to gross value added and operating income, with the aim of mitigating the sectoral bias of the CBSO samples.

RESULTS OF NON-FINANCIAL CORPORATIONS IN 2018 Q1

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Overview¹

The information from the Central Balance Sheet Data Office Quarterly Survey (CBQ) shows that, during the first three months of 2018, the productive activity of the firms in this sample remained expansionary. Gross value added (GVA) increased, in nominal terms, by 2.7% compared with the same period in 2017, up on the rate recorded a year earlier (1.3%). However, the re-weighted data, applying a sectoral structure closer to that of the National Accounts, reveal something of a slowdown in relation to 2017 Q1 (for greater details of the methodology and results of this re-weighting, see Box 1). Along these same lines, the median rate of GVA suggests lesser dynamism, reflecting lower growth than that of 2017 Q1.

Employment increased by 1.5% year-on-year, a growth rate practically unchanged on the first quarter of the previous year (1.4%).

The increase in productive activity, along with the growth of financial revenue (owing to higher dividends received) and the decline in expenses linked to financing received (associated with the lower financing costs), was conducive to the expansion of ordinary net profit (ONP), which increased at a year-on-year rate of 15.9% to March, compared with growth of 18.4% a year earlier. The course of the non-recurrent items had an additional positive impact, due mainly to the capital gains arising on sales of financial assets. As a result of these developments, final profit for the sample as a whole grew by 39.3%, a figure in contrast to the adverse performance of this surplus in the same period a year earlier, when a decline of 26.7% was posted.

The growth of ordinary profits was conducive to an increase in business profitability levels, meaning that the return on investment ratio rose by 0.4 pp (to 3.4%) compared with the previous year's level, and the return on equity ratio was up from 3.7% to 4.4%. However, the expansionary trend reflected in the aggregate data was compatible with a minor decline in median profitability, denoting that the improvement in profitability levels was mainly concentrated at some of the larger corporations, which are those with a greater weight within the sample. The increase in the aggregate return on investment, along with a fresh decline in the average cost of financing, led the difference between both variables to widen by 0.5 pp to 1.3 pp.

The reporting firms' borrowed funds rose in the first three months of the year, compared with end-2017, meaning that their weight relative to assets increased slightly. The debt/operating profits ratio also grew slightly, since the increase in borrowed funds, the numerator of the ratio, was somewhat sharper than that in the ordinary surplus. Conversely, the debt burden ratio, calculated as the ratio of financial costs to profit, continued to decline, chiefly as a consequence of lower interest costs, although it did so at a lesser pace than in previous periods. In any event, the changes in these three indicators were

¹ This article draws on the information on the 909 firms which, to 13 June, had reported their data to the CBQ. This sample represents, in terms of GVA, 12.4% of the total for the non-financial corporations sector, according to the information furnished by National Accounts.

small, whereby the average degree of financial pressure borne by the CBQ corporations did not alter substantially compared with the previous year.

Activity

The information compiled by the CBQ shows that business activity remained expansionary during 2018 Q1, leading the GVA of the reporting firms to increase by 2.7% in nominal terms (see Table 1 and Chart 1), exceeding the rise recorded during the same period of the previous year (1.3%). However, the re-weighted rates of change of GVA based on the weight of the different sectors of the economy show something of a slowdown, since, as a result of the application of this methodology, this surplus evidenced sharper growth in 2017 Q1 (3.6%), 0.7 pp up on the figure obtained for 2018 (see memorandum item in Table 1). In line with these developments, the information in Chart 2, which presents the quartiles of the distribution of the firms according to the rate of change in GVA, evidences a shift towards lower values compared with a year earlier. Finally, the breakdown by size reveals that the increases in GVA were once again sharper in the segment of medium-sized firms, in which this surplus grew by 5.5%, compared with the 2.7% increase for larger corporations (see Table 2).

The background to productive activity saw the relative significance of exports to and imports from the rest of the world decline, in favour of transactions in Spain. Imports accounted for 29.1% of the total purchases made by the reporting firms, more than 2 pp below the figure for the previous year (see Table 3). The weight of sales abroad relative to the total net turnover figure declined by 1 pp, to 20.1%.

Increases in GVA were recorded in all sectors, except in industry (see Table 2). In energy, in wholesale and retail trade and accommodation and food service activities, and in the information and communications sector there were respective increases of 9.6%, 6.4% and 1.6%, in contrast to the declines recorded in 2017 Q1. In the group where the rest of the activities are concentrated, there was a rise of 3.5%, assisted particularly by the sound performance of firms in the transport sector. Conversely, in industry, GVA declined by 7.4%, a figure that nonetheless masks significantly mixed behaviour. Thus, in some sub-sectors there were declines, as in chemicals (9.7%), the manufacture of mineral and metallic products (1.7%) and, especially, in oil refining (36.5%), which were attributable to the contraction in these firms' mark-ups. Conversely, in other industrial sub-sectors GVA grew, with a notable increase in other manufacturing (6.4%), and, to a lesser extent, in food, beverages and tobacco (3%) and in the sub-sector manufacture of computer and electronic products (1.5%).

Employment and personnel costs

Personnel costs increased by 2.6% in 2018 Q1, up on the rate recorded in the same period a year earlier (1%) (see Table 2). The increase came about as a result both of the buoyancy of employment and, to a lesser extent, of the increase in average compensation.

Employment grew by 1.5% in Q1 this year, 0.1 pp up on a year earlier. This increase was driven by the rise in permanent hires (2%), given that temporary employment fell slightly (0.5%) (see Table 4). This performance marks a continuation of the trend observed in recent quarters in which the growth of permanent employment has progressively stepped up, while temporary hires have lost momentum. The information in Table 5 reveals that the percentage of firms increasing staff numbers rose slightly, standing at 50.7% (compared with 50.3% a year earlier), a figure which was once again higher than that for firms destroying employment (35%).

The growth of employment was across the board, extending to all sectors, albeit with differing intensity. The biggest increases were posted in energy, in wholesale and retail

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

TABLE 1

Databases	CBI structure	CBI		CBQ		
	2016	2015	2016	2017 Q1-Q4 / 2016 Q1-Q4 (a)	2017 Q1 / 2016 Q1	2018 Q1 / 2017 Q1
Number of corporations		660,336	600,680	981	1.022	909
Total national coverage (% of GVA)		49.7	46.1	13.1	13.4	12.4
PROFIT AND LOSS ACCOUNT						
1 VALUE OF OUTPUT (including subsidies)	100.0	2.8	2.0	6.1	10.7	2.7
<i>Of which:</i>						
<i>Net amount of turnover and other operating income</i>	146.7	1.7	0.8	7.4	12.3	2.1
2 INPUTS (including taxes)	63.0	0.6	0.1	8.5	15.5	2.6
<i>Of which:</i>						
<i>Net purchases</i>	39.9	-1.3	-0.3	11.2	22.1	3.2
<i>Other operating costs</i>	23.4	4.0	0.9	0.5	-0.5	4.1
S.1 GROSS VALUE ADDED AT FACTOR COST [1 - 2]	37.0	6.9	5.3	1.2	1.3	2.7
3 Personnel costs	23.6	3.7	4.5	2.5	1.0	2.6
S.2 GROSS OPERATING PROFIT [S.1 - 3]	13.4	13.7	6.8	-0.1	1.5	2.9
4 Financial revenue	3.6	-9.9	3.2	12.1	28.2	19.2
5 Financial costs	2.9	-10.0	-8.4	-12.3	-15.9	-10.7
6 Depreciation, impairment and operating provisions	5.8	1.9	1.3	0.5	1.5	-1.0
S.3 ORDINARY NET PROFIT [S.2 + 4 - 5 - 6]	8.2	25.6	16.3	8.8	18.4	15.9
7 Gains (losses) from disposals and impairment	0.4	—	—	—	-88.3	—
7' As a percentage of GVA (7 / S.1)		-5.5	1.2	-5.0	1.4	6.0
8 Changes in fair value and other gains (losses)	-0.3	—	45.7	45.9	—	-87.2
8' As a percentage of GVA (8 / S.1)		-1.0	-0.8	-1.7	-2.0	-3.6
9 Corporate income tax	2.3	19.4	—	-50.7	8.8	-7.2
S.4 NET PROFIT [S.3 + 7 + 8 - 9]	6.1	-14.1	46.8	-30.2	-26.7	39.3
S.4' As a percentage of GVA (S.4 / S.1)		10.0	16.5	24.4	21.4	27.9
PROFIT RATIOS						
	Formulas (b)					
R.1 Return on investment (before taxes)	(S.3 + 5.1) / NA	4.6	5.0	6.0	3.0	3.4
R.2 Interest on borrowed funds/ interest-bearing borrowing	5.1 / IBB	3.2	2.8	2.4	2.2	2.0
R.3 Ordinary return on equity (before taxes)	S.3 / E	5.7	6.4	8.7	3.7	4.4
R.4 ROI - cost of debt (R.1 - R.2)	R.1 - R.2	1.5	2.1	3.6	0.8	1.3
MEMORANDUM ITEM: TOTAL RE-WEIGHTED SAMPLE (c)						
S.1 GROSS VALUE ADDED AT FACTOR COST [1 - 2]		6.7	5.4	3.3	3.6	2.9
S.2 GROSS OPERATING PROFIT [S.1 - 3]		12.3	7.0	4.3	8.6	2.2

SOURCE: Banco de España.

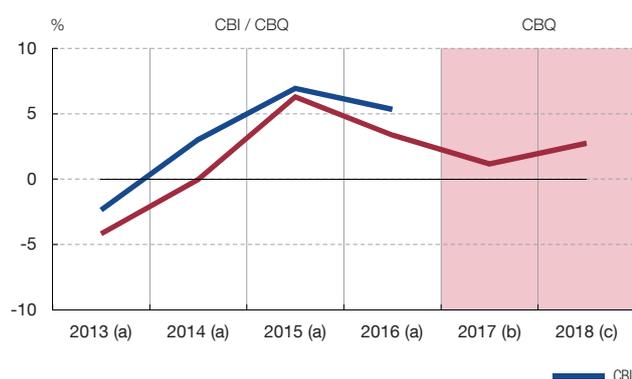
a All the data in this column have been calculated as the weighted average of the quarterly data.

b NA = Net assets (net of non-interest-bearing borrowing); E = Equity; IBB = Interest-bearing borrowing; NA = E + IBB. The financial costs in the numerators of ratios R.1 and R.2 only include the portion of financial costs that is interest on borrowed funds (5.1).

c Rates calculated applying the sectoral weight obtained from National Accounts.

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

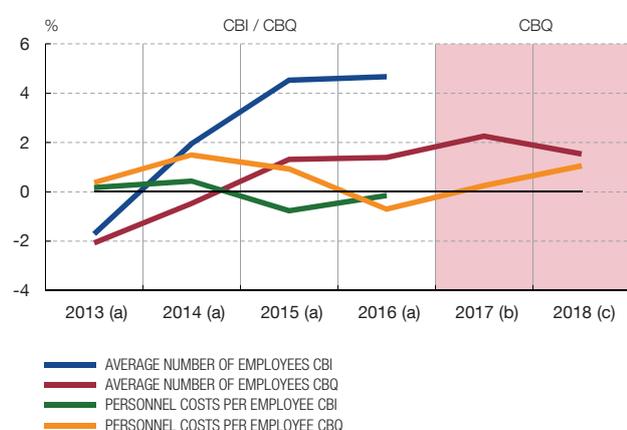
1 GROSS VALUE ADDED AT FACTOR COST
Rate of change



2 PERSONNEL COSTS
Rate of change



3 EMPLOYMENT AND WAGES
Rate of change



4 GROSS OPERATING PROFIT
Rate of change



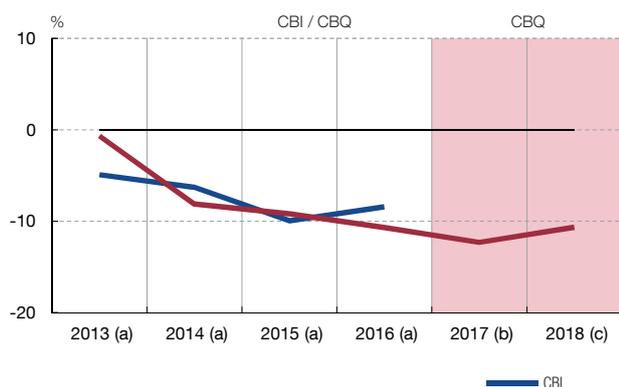
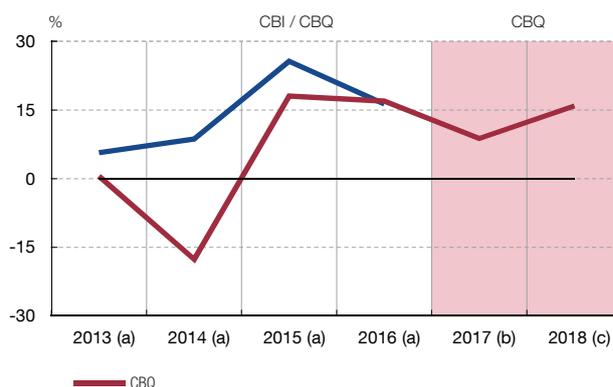
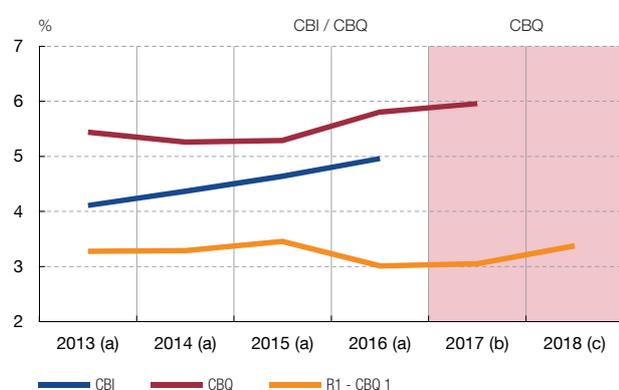
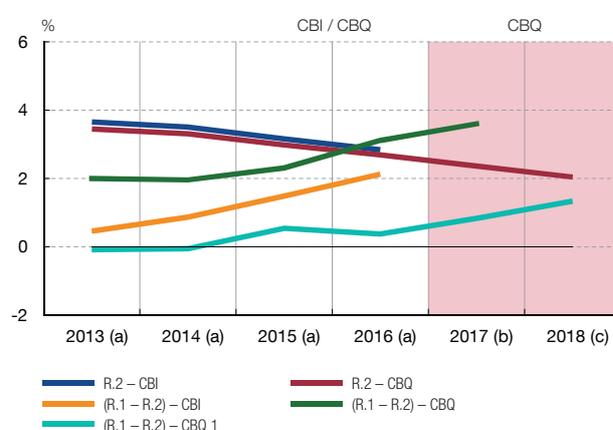
Reporting non-financial corporations	2013	2014	2015	2016	2017	2018
Number of corporations	CBI 627,102	688,853	660,336	600,680	—	—
	CBQ 842	888	986	984	981	909
% of GVA of the sector non-financial corporations	CBI 48.0	49.9	49.7	46.1	—	—
	CBQ 11.9	13.4	14.0	13.9	13.1	12.4

SOURCE: Banco de España.

- a The 2013, 2014, 2015 and 2016 data, for the corporations reporting to the CBI, and the average data of the four quarters of each year in relation to the previous year (CBQ).
b Average of the four quarters of 2017 relative to the same period in 2016.
c 2018 Q1 data relative to the same period in 2017.

trade and accommodation and food service activities, and in the sector encompassing other activities, with rates of 2.4%, 1.4% and 2.2%, respectively. In industry and in information and communications, the increases were very small: 0.3% in the former, and 0.2% in the latter (see Table 2).

Average compensation across the whole of the CBQ sample increased by 1.1% in 2018 Q1, compared with the 0.4% decline recorded a year earlier. However, these figures are the result of mixed behaviour across the different sectors. Thus, while in industry and in the wholesale and retail trade and accommodation and food service activities average personnel costs increased above average (by 1.7% and 4.1%, respectively), in other

5 FINANCIAL COSTS
Rate of change6 ORDINARY NET PROFIT
Rate of change7 RETURN ON INVESTMENT (R.1)
Ratios8 COST OF DEBT (R.2) AND
ROI - COST OF DEBT (R.1-R.2)
Ratios

Reporting non-financial corporations		2013	2014	2015	2016	2017	2018
Number of corporations	CBI	627,102	688,853	660,336	600,680	—	—
	CBQ	842	888	986	984	981	909
% of GVA of the sector non-financial corporations	CBI	48.0	49.9	49.7	46.1	—	—
	CBQ	11.9	13.4	14.0	13.9	13.1	12.4

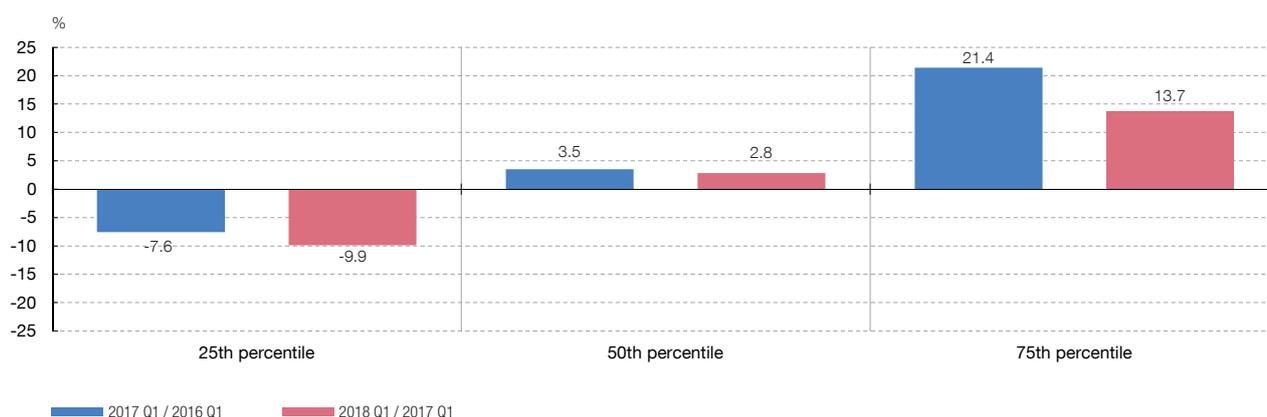
SOURCE: Banco de España.

- a The 2013, 2014, 2015 and 2016 data for the corporations reporting to the CBI and the average data of the four quarters of each year (CBQ). The rates are calculated relative to the previous year.
b Average of the four quarters of 2017. The rates are calculated relative to the same period in 2016.
c Data up to 2018 Q1. The rates are calculated relative to the same period in 2017.

activities they increased at a lesser pace (0.5%), and in energy and in information and communications they declined (by 1.1% and 1.7%, respectively).

Profit, rates of return and debt

In 2018 Q1, the gross operating profit (GOP) of the aggregate of the CBQ sample increased by 2.9%, almost double the increase recorded a year earlier (1.5%). By contrast, as was the case when analysing GVA, the results obtained from the re-weighted sample based on the weights of the different sectors in the economy show a slowdown, as the growth of this surplus rose significantly in 2017 Q1 (to 8.6%) and the increase in the first three months of 2018 fell (to 2.2%).



SOURCE: Banco de España.

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

TABLE 2

Growth rate of the same corporations on the same period a year earlier, percentages

	Gross value added at factor cost				Employees (average for period)				Personnel costs				Compensation per employee			
	CBI		CBQ		CBI		CBQ		CBI		CBQ		CBI		CBQ	
	2016	2017 Q1 - Q4 (a)	2017 Q1	2018 Q1	2016	2017 Q1 - Q4 (a)	2017 Q1	2018 Q1	2016	2017 Q1 - Q4 (a)	2017 Q1	2018 Q1	2016	2017 Q1 - Q4 (a)	2017 Q1	2018 Q1
Total	5.3	1.2	1.3	2.7	4.7	2.3	1.4	1.5	4.5	2.5	1.0	2.6	-0.2	0.2	-0.4	1.1
SIZE																
Small	8.2	—	—	—	6.7	—	—	—	7.5	—	—	—	0.7	—	—	—
Medium	6.5	6.5	7.6	5.5	4.4	6.0	4.5	5.6	5.3	6.3	6.5	5.9	0.9	0.3	1.9	0.3
Large	4.0	1.1	1.2	2.7	3.3	2.2	1.4	1.5	2.9	2.5	1.0	2.6	-0.4	0.3	-0.4	1.1
BREAKDOWN BY ACTIVITY																
Energy	-0.9	-9.5	-10.4	9.6	2.0	2.1	0.8	2.4	0.0	2.4	0.1	1.3	-1.9	0.2	-0.7	-1.1
Industry	5.2	5.2	14.9	-7.4	3.5	1.5	2.2	0.3	4.3	3.1	3.8	2.0	0.8	1.6	1.5	1.7
Wholesale and retail trade and accommodation & food service activities	7.1	1.4	-1.9	6.4	5.2	2.6	2.2	1.4	5.6	3.3	1.1	5.5	0.3	0.7	-1.0	4.1
Information and communications	4.6	3.7	-1.4	1.6	2.5	0.2	-3.4	0.2	1.7	-0.4	-5.0	-1.4	-0.7	-0.6	-1.7	-1.7
Other activities	5.9	5.0	4.9	3.5	5.2	2.9	1.6	2.2	4.9	2.6	1.8	2.7	-0.3	-0.2	0.2	0.5

SOURCE: Banco de España.

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

The financial revenue of the sample as a whole increased in 2018 Q1 by 19.2%, a figure nevertheless down on the 28.2% increase in the same period the previous year. This growth is the result of the strong increase in dividend payments (40%), which was partly offset by the fall-off (19.4%) in interest revenue.

Financial costs fell by 10.7%, owing essentially to lower average financing costs, while interest-bearing debt had a limited impact during the period under analysis (see Table 6).

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

TABLE 3

		CBA	CBQ		
		2016	2017 Q1-Q4 (a)	2017 Q1	2018 Q1
Total corporations		9,497	981	909	909
Corporations reporting source/destination		9,497	905	851	851
Percentage of net purchases according to source	Spain	65.6	70.2	68.3	70.9
	Total abroad	34.4	29.8	31.7	29.1
	EU countries	19.3	20.2	20.5	20.1
	Third countries	15.1	9.6	11.1	9.0
Percentage of net turnover according to destination	Spain	76.5	79.3	78.9	79.9
	Total abroad	23.5	20.7	21.1	20.1
	EU countries	15.3	14.3	14.4	13.8
	Third countries	8.2	6.4	6.6	6.3
Change in net external demand (exports less imports), rate of change	Industry	8.9	4.3	7.4	4.6
	Other corporations	14.5	-66.4	—	—

SOURCE: Banco de España.

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

EMPLOYMENT

TABLE 4

		Total CBQ corporations 2018 Q1	Corporations increasing (or not changing) staff levels	Corporations reducing staff levels
Number of corporations		909	591	318
NUMBER OF EMPLOYEES				
Initial situation 2017 Q1 (000s)		884	577	307
Rate 2018 Q1/ 2017 Q1		1.5	4.9	-4.7
Permanent	Initial situation 2017 Q1 (000s)	726	476	250
	Rate 2018 Q1/ 2017 Q1	2.0	4.3	-2.5
Non-permanent	Initial situation 2017 Q1 (000s)	158	100	57
	Rate 2018 Q1/ 2017 Q1	-0.5	7.4	-14.4

SOURCE: Banco de España.

The favourable course of financial revenue and costs prompted ONP to grow, in 2018 Q1, at a higher rate than GOP (15.9%), although more moderately than a year ago (18.4%). Extraordinary costs and revenue had a positive impact on the final surplus, owing chiefly to the capital gains on sales of shares recorded this year. That led the results for the year to increase by 39.3%, in contrast to the 26.7% decline in the same period in 2017. As a proportion of GVA, this surplus stood at 27.9%, almost 7 pp up on the previous year.

The rise in ordinary profits translated into an increase in the aggregate ordinary profit ratios in 2018 Q1. Specifically, the return on investment ratio was up 0.4 pp compared

PERSONNEL COSTS AND EMPLOYEES
Percentage of corporations in specific situations

TABLE 5

	CBI (a)		CBQ (b)			
	2015	2016	2016 Q1 - Q4 (a)	2017 Q1 - Q4 (a)	2017 Q1	2018 Q1
Number of corporations	480,109	440,999	984	981	1,022	909
PERSONNEL COSTS	100	100	100	100	100	100
Falling	39.6	34.5	38.2	32.8	34.1	29.6
Constant or rising	60.4	65.5	61.8	67.2	65.9	70.4
AVERAGE NUMBER OF EMPLOYEES	100	100	100	100	100	100
Falling	30.9	28.6	37.6	34.1	34.2	35.0
Constant	26.1	27.8	15.5	15.2	15.5	14.3
Rising	43.0	43.6	46.9	50.7	50.3	50.7

SOURCE: Banco de España.

- a** To calculate these percentages, corporations that did not have any staff in 2015 and in 2016 were excluded.
b Weighted average of the relevant quarters for each column.

FINANCIAL COSTS
Percentages

TABLE 6

	CBI	CBQ	
	2015/2016	2017 Q1-Q4 / 2016 Q1-Q4	2018 Q1 / 2017 Q1
Change in financial costs	-8.4	-12.3	-10.7
A Interest on borrowed funds	-10.2	-11.5	-9.9
1 Due to the cost (interest rate)	-10.0	-11.4	-9.3
2 Due to the amount of interest-bearing debt	-0.2	0.0	-0.6
B Other financial costs	1.7	-0.9	-0.8

SOURCE: Banco de España.

with a year earlier, standing at 3.4%, and the return on equity ratio climbed from 3.7% to 4.4%. Despite this favourable performance, the information in Table 7 reveals that during the first quarter of the year there was an increase in the proportion of firms with negative profit ratios and a slight decline in median profitability, of 0.3 pp in the case of the return on investment (to 4.5%) and of 0.7 pp in the return on equity (to 6%). These results therefore suggest that the improvement shown in the aggregate data was concentrated in some of the larger corporations, which are those with most weight in the sample.

The breakdown by sector shows that the improvement in the aggregate return on investment spread to virtually all sectors of activity (see Table 8). In particular, there was a notable increase recorded in the return on investment in the wholesale and retail trade and accommodation and food services sector, from 8.2% to 9.7%. In information and communications, energy, and other activities, the rises were on a smaller scale: around 0.5 pp. In industry, by contrast, a decline of 2 pp to 6.4% was observed.

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

TABLE 7

	CBQ				
	Return on investment (R.1)		Ordinary return on equity (R.3)		
	2017 Q1	2018 Q1	2017 Q1	2018 Q1	
Number of corporations	1,022	909	1,022	909	
Percentage of corporations by profitability bracket	R ≤ 0%	24.6	26.1	27.6	29.3
	0% < R ≤ 5%	26.7	26.2	18.7	18.2
	5% < R ≤ 10%	17.4	17.1	12.0	12.5
	10% < R ≤ 15%	9.4	8.5	9.5	9.2
	15% < R	21.9	22.2	32.2	30.8
Memorandum item: Median return (%)	4.8	4.5	6.7	6.0	

SOURCE: Banco de España.

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 8

Ratios and growth rates of the same corporations on the same period a year earlier, percentages

	Gross operating profit				Ordinary net profit				Return on investment (R.1)				ROI-cost of debt (R.1 – R.2)			
	CBI		CBQ		CBI		CBQ		CBI		CBQ		CBI		CBQ	
	2016	2017 Q1-Q4 (a)	2017 Q1	2018 Q1	2016	2017 Q1-Q4 (a)	2017 Q1	2018 Q1	2016	2017 Q1-Q4 (a)	2017 Q1	2018 Q1	2016	2017 Q1-Q4 (a)	2017 Q1	2018 Q1
Total	6.8	-0.1	1.5	2.9	16.3	8.8	18.4	15.9	5.0	6.0	3.0	3.4	2.1	3.6	0.8	1.3
SIZE																
Small	10.6	—	—	—	19.7	—	—	—	3.0	—	—	—	0.4	—	—	—
Medium	9.3	7.1	10.9	4.5	14.5	18.3	20.1	1.1	6.9	7.3	4.7	5.2	4.2	5.1	2.3	3.0
Large	5.7	-0.2	1.4	2.9	15.8	8.7	18.4	16.0	5.4	6.0	3.0	3.4	2.6	3.6	0.8	1.3
BREAKDOWN BY ACTIVITY																
Energy	-1.2	-13.9	-14.6	13.6	15.3	-13.4	-24.7	35.9	5.5	5.2	2.9	3.6	2.3	2.6	0.2	1.2
Industry	6.7	7.4	31.1	-17.7	13.3	10.5	49.7	-29.5	8.3	10.6	8.4	6.4	5.5	7.8	6.1	3.9
Wholesale & retail trade and accommodation & food service activities	10.8	-1.5	-6.3	7.7	24.0	1.7	3.2	13.3	8.1	12.7	8.2	9.7	5.2	10.7	6.4	8.6
Information and communications	7.9	6.1	1.0	3.2	27.0	7.1	5.8	6.6	11.7	17.5	14.3	14.8	9.6	15.9	13.0	13.5
Other activities	8.7	8.8	12.0	5.0	12.3	27.9	83.1	145.5	3.2	4.2	1.1	1.5	0.4	1.9	-1.0	-0.5

SOURCE: Banco de España.

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

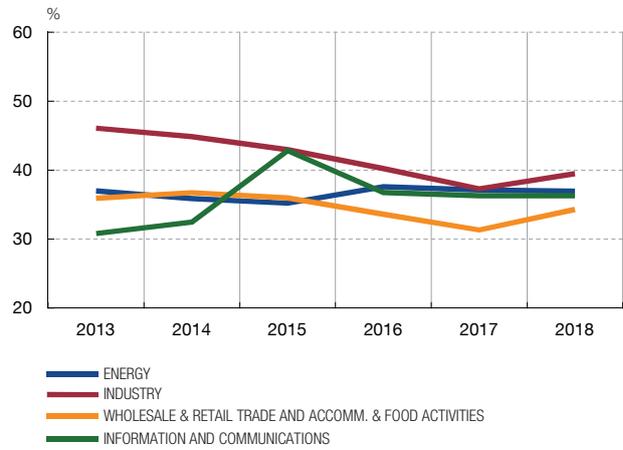
The average cost of debt fell by 0.2 pp in 2018 Q1 to 2%. This downtrend, along with the slight rise in the return on investment, translated into a further widening of the differential between both ratios to 1.3 pp, 0.5 pp more than a year earlier. The improvement in this indicator was evident in all sectors of activity, with the exception of industry, where it declined (see Table 8).

Lastly, interest-bearing debt for the sample as a whole increased somewhat from the levels attained at the close of the previous year, which translated into a slight increase – of 0.7 pp – in

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



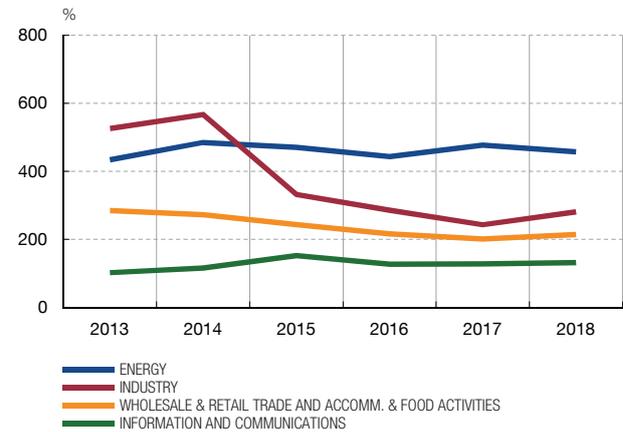
2 E1. INTEREST-BEARING BORROWING / NET ASSETS (a)
TOTAL CORPORATIONS
Ratios



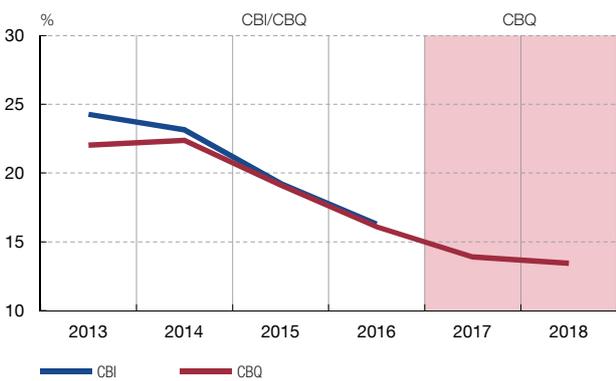
3 E2. INTEREST-BEARING BORROWING (b) / (GOP + FR) (c)
BREAKDOWN BY SECTOR. CBQ
Ratios



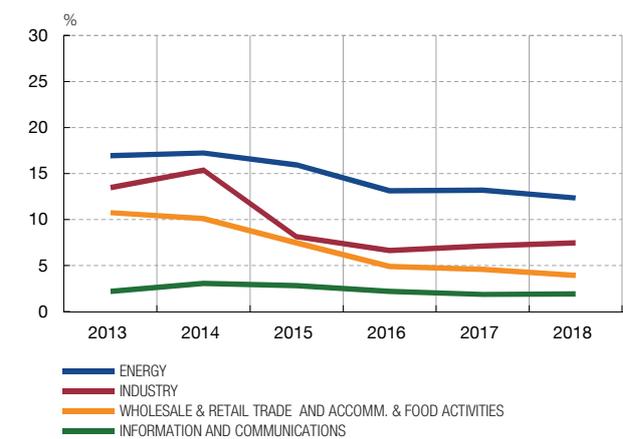
4 E2. INTEREST-BEARING BORROWING (b) / (GOP + FR) (c)
TOTAL CORPORATIONS
Ratios



5 INTEREST BURDEN
BREAKDOWN BY SECTOR. CBQ
(Interest on borrowed funds) / (GOP + FR) (c)



6 INTEREST BURDEN
TOTAL CORPORATIONS
(Interest on borrowed funds) / (GOP + FR) (c)



SOURCE: Banco de España.

- a Ratio calculated from final balance sheet figures. Own funds include an adjustment to current prices.
- b Calculated from final balance sheet figures. Includes an adjustment to eliminate intra-group debt (approximation of consolidated debt).
- c The expenditure and revenue included in these ratios are calculated on the basis of cumulated four-quarter amounts.

the E1 debt ratio (which is calculated as the ratio of interest-bearing debt to net assets) to 43.1% (see Chart 3). Across the various sectors, increases in this ratio were observed at firms in industry and in the wholesale and retail trade and accommodation and food services sector, holding stable in the remaining sectors. The E2 ratio (defined as the ratio of interest-bearing debt to the sum of GOP and financial revenue) also increased slightly, standing at 530% (compared with 525% at end-2017), owing to the fact that the increase in debt was somewhat greater than that in ordinary profits. Conversely, the interest burden continued to decline, as a result of lower financial costs, although it did so at a more moderate rate than in previous years, falling to 13.4%. The sectoral information on these two ratios shows that changes were, in general, relatively insignificant and of a different sign. Overall, the developments in these indicators reveal that the degree of financial pressure borne by the CBQ firms has held at similar levels to those at end-2017.

21.6.2018.

The Central Balance Sheet Data Office (CBSO) is a most valuable source of information for analysing and monitoring the economic and financial situation of the non-financial corporations sector, for both annual (CBI) and quarterly (CBQ) periods. The CBI is made up of around 600,000 companies on average, with a significant presence of small and medium-sized enterprises, while the CBQ comprises between 800 and 1,000 firms, with larger corporations predominating in this case. As they are not statistically representative of the total population of firms, the structure of these two samples includes certain biases (somewhat more markedly so in the CBQ, which has a lower number of companies) that should be taken into account in

order to correctly interpret the aggregate results obtained. One such bias stems from the different weights these sectors have in these samples compared with those they have in the economy as a whole. In order to redress this bias in the case of gross value added (GVA) and gross operating profit (GOP),¹ hereafter the regular Banco de España articles in which the results of non-financial corporations are analysed will include an indicator of these two variables, re-weighted on the basis of the weight of the different sectors in National Accounts (NA), following the methodology described below.

The re-weighting procedure used considers the five major sectoral groups that are discussed in this quarterly article: energy, industry, wholesale and retail trade and accommodation and food services, information and communications, and the remaining sectors of activity. One initial factor that must be taken into account is that the

1 The choice of GVA and GOP is due both to their significance as indicators of business activity and to the fact that it is these variables that have been most affected by the aforementioned bias.

Chart 1
GROSS VALUE ADDED AT FACTOR COST

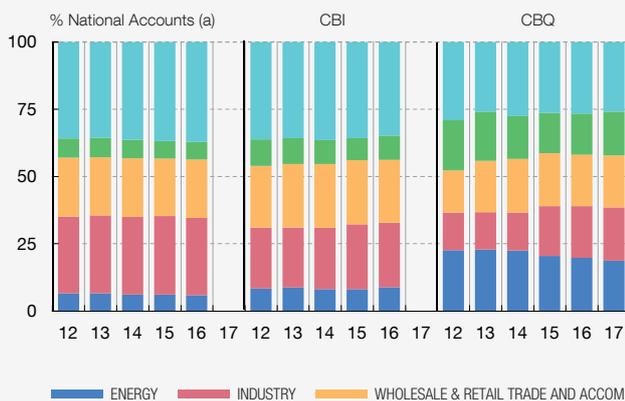


Chart 2
GROSS OPERATING PROFIT STRUCTURE

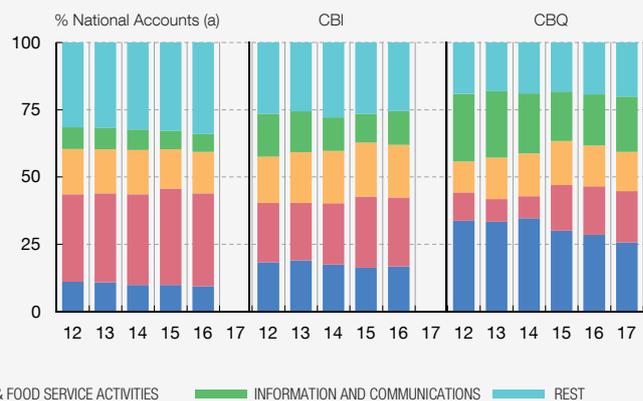


Chart 3
GROSS VALUE ADDED AT FACTOR COST
Rate of change

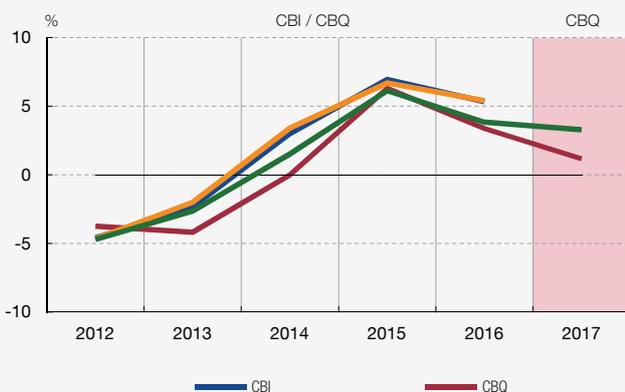


Chart 4
GROSS OPERATING PROFIT
Rate of change



SOURCE: Banco de España.

a Approximation of National Accounts data to the institutional sector non-financial corporations by sector of activity.

data on current accounts in the NA, which act as a basis for this methodology, are available by sector of activity, but without differentiating by institutional sector. That is to say, they include information both on non-financial corporations and on households (in respect of the portion relating to individual entrepreneurs), general government and financial institutions, which hampers any direct comparison between the NA and the CBSO, which only includes non-financial corporations. Accordingly, as a first step, an estimate of GVA and of GOP² by sector of activity has been made, eliminating the portion relating to institutional sectors other than non-financial corporations.

Charts 1 and 2 show the weights obtained from this estimate, both in terms of GVA and of GOP, along with those of the CBSO databases. While in the case of the CBI some differences can be seen with respect to the estimate based on NA regarding the weights assigned to the sectors, it is in the CBQ where the most marked discrepancies are recorded. In particular, in this latter sample the weight of the energy and information and communications sectors is considerably higher than that estimated using the NA, while the remaining aggregates are somewhat under-weighted in the CBQ. Significantly, in the case of industry the re-weighting has been applied distinguishing between the refining sub-sector, whose relative significance in the CBSO sample is high, and the remaining industrial sub-sectors, whose weight is lower than that obtained using the NA.

2 Proxied using the gross operating surplus.

Charts 3 and 4 show the results obtained in both databases once the re-weighting has been applied, both for GVA and for GOP, and enable their trend to be compared with that calculated without applying this methodology. The first telling conclusion is that, in the case of the CBI, the re-weighted series do not change substantially from the original series, which seems logical since, as previously explained, the sectoral structure of this database is quite close to that obtained using the NA, especially in the case of GVA; accordingly, the impact on the final figure is very limited. Conversely, in the CBQ the re-weighting alters considerably the trend of the two indicators. Thus, in the case of GVA, it can be seen how the rates based on the re-weighted figures exceed in 2013 and 2014 those originally calculated, drawing closer to the CBI-based indicator, which is more representative of the non-financial corporations sector. In the two following years, the impact is not expected to be significant since, on applying the new weights, the effects between the different sectors are offset. Lastly, greater stability is discernible in GVA in 2017, compared with the clearly slowing trend that the original rates reflect. In the case of GOP, the conclusions obtained are similar, although the differences between the original figures and the re-weighted ones are somewhat more marked, owing to the greater discrepancies of the sectoral weights in the CBSO samples compared with those from NA. In sum, these results suggest that the re-weighted indicators offer a closer view of the aggregate trend of the non-financial corporations sector than those based on original data, especially in the case of the CBQ.