



Sectoral analysis of the manufacture of footwear – 2010-2015

30 June 2016

Banco de Portugal updates today the [Central Balance-Sheet Study | 10 – Sectoral Analysis of the manufacture of footwear](#), with information on the economic and financial situation of enterprises in the manufacture of footwear¹ between 2010 and 2015.

This study was published for the first time in 2012, with information for the 2006-12 period.

Results, derived from data from Banco de Portugal's Central Balance Sheet Database, are broken down by size class – microenterprises, small and medium-sized enterprises (SMEs) and large enterprises – and compared with results for the manufacturing sector (Section C of CAE-Rev.3) and total enterprises.

Structure and dynamics

In 2014 half the enterprises in the manufacture of footwear were microenterprises. SMEs predominated in terms of turnover and number of employees

In 2014 the manufacture of footwear comprised approximately 0.5 per cent of enterprises (2 thousand enterprises) in Portugal, representing around 2 per cent of the number of employees and 0.8 per cent of turnover, weights marginally above the ones registered in 2010.

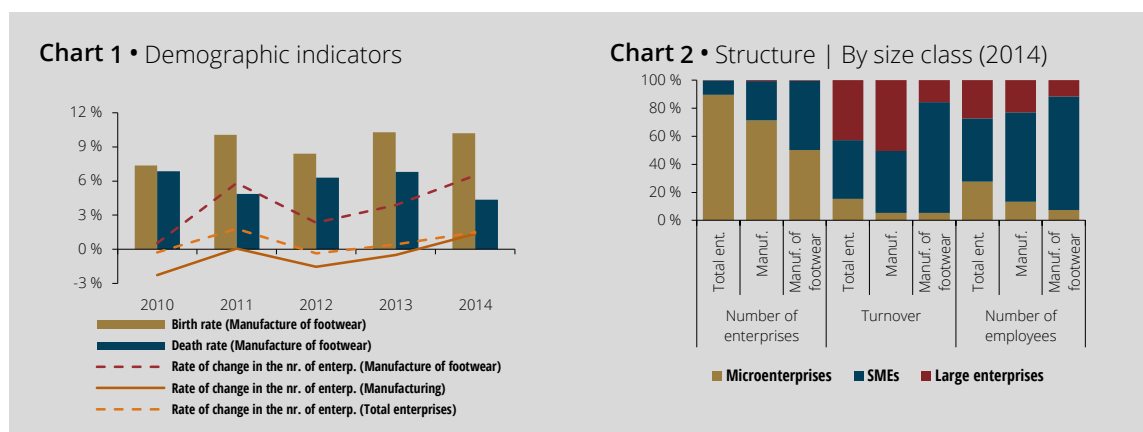
In the manufacturing sector, about 5 per cent of the enterprises belonged to the manufacture of footwear, representing 3 per cent of turnover and 7 per cent of the number of employees. Compared with 2010, the

weight of the manufacture of footwear in the manufacturing sector increased by 0.5 percentage points (p.p.) in turnover and 1.5 p.p. in the number of employees.

In 2014 the number of enterprises active in the manufacture of footwear grew by 6.5 per cent, 5 p.p. more than total enterprises (Chart 1). For each enterprise ceasing to operate, 2.5 new enterprises were created, the maximum value for the period under review. The birth/death rate in the manufacture of footwear exceeded by around 1.2 p.p. the ratio of manufacturing and total enterprises.

In the same year, half the enterprises in the sector were microenterprises. SMEs dominated both in turnover (79 per cent) and number of employees (81 per cent) (Chart 2). In manufacturing and total enterprises, the highest share of turnover was associated with large enterprises (51 per cent and 43 per cent respectively).

Approximately 76 per cent of turnover in the manufacture of footwear was generated in the Porto (46 per cent) and Aveiro (30 per cent) districts, where the sector represented, respectively, 2 per cent and 4 per cent of turnover and number of enterprises headquartered in those districts.



Activity and profitability

Turnover benefitted more from the internal than the external market in 2013 and 2014

Partly as a result of the increase in the number of enterprises operating in the manufacture of footwear in 2014, turnover in the sector grew by 7 per cent (1 per cent in manufacturing and 2 per cent in total enterprises). Growth was broadly-based across all size classes, with special note to the 14 per cent rise in large enterprises.

The internal and external markets contributed with 4 p.p. and 3 p.p. respectively to turnover developments in the sector in 2014 (Chart 3). The contribution of the external market was positive over the whole period under review, albeit smaller than that of the internal market in 2013 and 2014. The balance of goods and services transaction with the external markets reached 45 per cent of turnover, significantly above that of manufacturing (12 per cent) and total enterprises (0.2 per cent) (Chart 4). In 2014 the export sector² comprised 21 per cent of the number of enterprises, 59 per cent of the number of employees and 77 per cent of turnover in enterprises in the manufacture of footwear, figures higher than those registered in total enterprises (6 per cent, 25 per cent and 37 per cent respectively).

The sector's EBITDA increased by 1 per cent in 2014, with 55 per cent of the enterprises showing positive changes from 2013. This percentage was similar to that observed in 2010 and continued to be slightly above that seen in manufacturing (54 per cent). The share of large enterprises with EBITDA growth was significant (60 per cent, well above the 20 per cent share registered in 2013) (Chart 5). However, 18 per cent of the enterprises in the sector had negative EBITDA, a share 2 p.p. higher than in 2010, but nonetheless lower than in manufacturing (29 per cent) and total enterprises (35 per cent).

The operating margin (EBITDA/Income) of the manufacture of footwear was 6 per cent in 2014, which means that, for every €100 of income €6 of EBITDA were generated. This was lower than the value registered by manufacturing and total enterprises (by €1 and €2 respectively) (Chart 6).

The net margin (Net profit for the period/Income) of the sector, of 2 per cent, was equal to that of manufacturing and higher than in total enterprises (1 per cent), due to a smaller percentage of EBITDA used up in this sector by depreciations, amortisations and interest.

Chart 3 • Turnover | Contributions from the external and internal markets (p.p.) to the annual growth rate (per cent)



Chart 4 • Balance of goods and services transactions with the external markets (as a percentage of turnover)

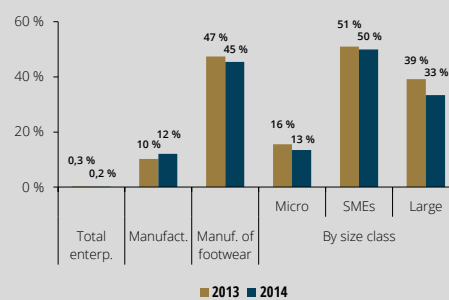


Chart 5 • Share of enterprises with EBITDA growth

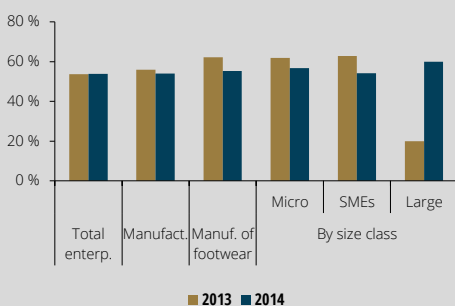
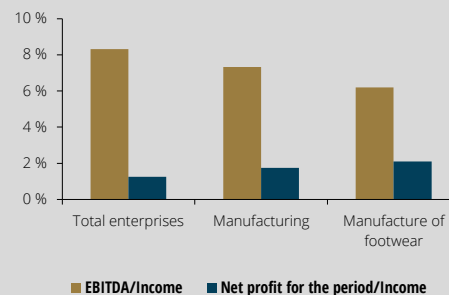


Chart 6 • Profitability | Operating margin and net margin (2014)



In 2014 profitability was higher than in manufacturing and total enterprises

Return on equity in the manufacture of footwear was of 10 per cent in 2014, above that registered by manufacturing (4 per cent) and total enterprises (3 per cent), a trend observed since 2011. In 2014 profitability in the sector exceeded by 4 p.p. the one observed in 2010 (Chart 7).

Microenterprises had the highest profitability levels (13 per cent), followed by SMEs (10 per cent) and large enterprises (9 per cent).

Financial situation

Interest-bearing debt represented 36 per cent of liabilities in 2014

Between 2010 and 2014, the capital ratio in the manufacture of footwear increased by 2 p.p., reaching 33 per cent, i.e. below the manufacturing value (40 per cent) and above that observed in total enterprises (30 per cent) (Chart 8). The average value of the capital ratio, however, was not representative of most enterprises in the sector, standing above the median (27 per cent).

The capital ratio level was higher in larger enterprises. It reached 43 per cent in large enterprises, 33 per cent in SMEs and 19 per cent in microenterprises.

Approximately 19 per cent of enterprises in the

manufacture of footwear had negative equity, lower than the 25 per cent in manufacturing and the 29 per cent in total enterprises.

Liabilities in the manufacture of footwear have increased since 2012, especially bank loans, which contributed with 5 p.p. to the 5 per cent change in 2014 (Chart 9). This trend was contrary to the one observed in manufacturing and total enterprises.

Interest-bearing debt represented 36 per cent of liabilities in the manufacture of footwear (50 per cent in manufacturing and 57 per cent in total enterprises). Bank loans totalled 81 per cent of interest-bearing debt.

In 2014 financial pressure in the sector was lower than in manufacturing and total enterprises

In 2014 interest expenses increased, on average, by 10 per cent in the manufacture of footwear, a change largely associated with the average growth of 25 per cent in large enterprises (Chart 10). Nevertheless, in half the enterprises in the sector interest expenses declined by more than 0.4 per cent. This corresponds to the median in the distribution of individual rates of change, which in manufacturing stood at -12 per cent and in total enterprises at -20 per cent.

Although the weight of interest expenses in EBITDA has increased by 1 p.p. to 10 per cent, financial pressure continued to be lower than in manufacturing

Chart 7 • Return on equity

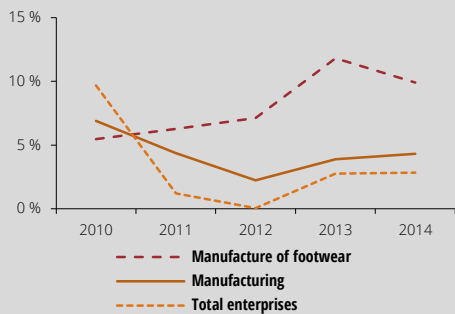


Chart 8 • Capital ratio | Weighted average and distribution median

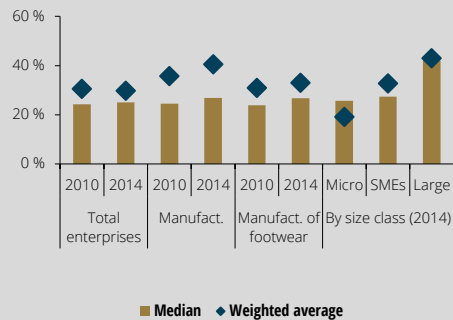


Chart 9 • Liabilities | Contributions from components (p.p.) to the annual growth rate (per cent)

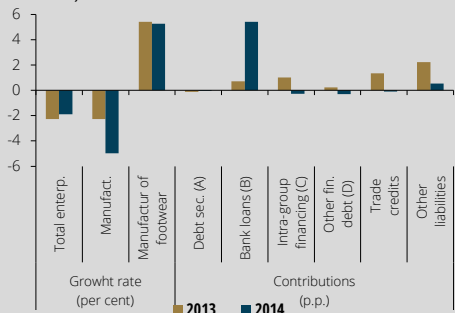
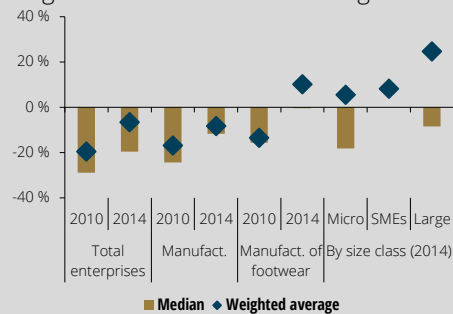


Chart 10 • Interest expenses | Weighted average and median of the annual growth rate



Interest-bearing debt = A + B + C + D

(18 per cent) and total enterprises (28 per cent) (Chart 11). The rise in financial pressure in the sector was associated with changes in SMEs and large enterprises, given that microenterprises had a slight decrease in this indicator (0.2 p.p.).

In 2015 loans granted to the manufacture of footwear by the resident financial sector increased

Information from the Banco de Portugal's Central Credit Register revealed that, in 2015, loans granted to the manufacture of footwear by the resident financial system increased, unlike in manufacturing and total enterprises.

At the end of 2015, approximately 15.3 per cent of credit granted to the sector was in default, a share higher than

in manufacturing (11.5 per cent) but lower than in total enterprises (16.2 per cent) (Chart 12). Large enterprises in the sector had the lowest non-performing ratio (12.5 per cent), below the 15.0 per cent of SMEs and the 23.8 per cent of microenterprises.

In 2014 trade credits corresponded to 36 per cent of the liabilities of enterprises in the sector, higher than the 27 per cent in manufacturing and the 16 per cent in total enterprises. The weight of trade credits exceeded 30 per cent in all size classes. However, similarly to most sectors of economic activity, this sector was unable to receive net trade credit financing, due to the negative differential between accounts payable and accounts receivable.

Chart 11 • Weight of interest in EBITDA (2013 and 2014)

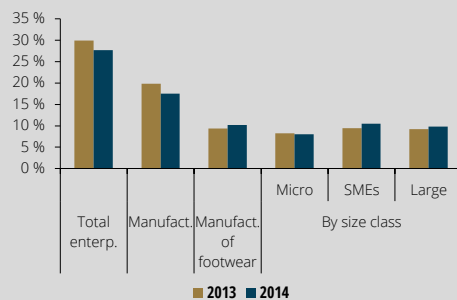
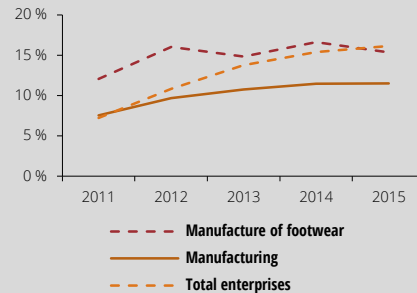


Chart 12 • Non-performing loans ratios (end-of-period figures)



¹ For the purposes of this analysis, manufacture of footwear corresponds to Group 152 of CAE-Rev.3, an economic activity included in manufacturing.

² The definition of the export sector is presented in more detail in the publication *Central Balance Sheet Studies | 22 – Analysis of enterprises in the export sector in Portugal*, June 2015.

Information available at:

[Statistical domain of Central Balance Sheet Database statistics in BPstat | Statistics online](#)

[Supplement to the Statistical Bulletin 2/2013 on statistics on non-financial corporations of the Central Balance Sheet Database](#)

[Central Balance Sheet Study No 23 on non-financial corporations](#)

[Central Balance Sheet Study No 10 on enterprises in manufacture of footwear](#)

Banco de Portugal | info@bportugal.pt

Annex – Main indicators of the manufacture of footwear

Chart	Series	2010	2011	2012	2013	2014	2015
1 Demographic indicators	Manufacture of footwear						
	Birth rate	7.4	10.1	8.4	10.3	10.2	
	Death rate	6.9	4.9	6.3	6.8	4.4	
	Rate of change in the number of enterprises	0.5	5.8	2.3	3.9	6.5	
	Rate of change in the number of enterprises / Total enterprises	-0.3	1.8	-0.4	0.4	1.5	
	Rate of change in the number of enterprises / Manufacturing	-2.3	0.1	-1.5	-0.5	1.3	
2 Structure By size class	Weight of microenterprises in the aggregate's number of enterprises						
	Total enterprises	87.4	88.2	89.1	89.6	89.5	
	Manufacturing	68.6	69.6	71.0	71.7	71.3	
	Manufacture of footwear	47.4	48.2	48.7	49.5	50.2	
	Weight of microenterprises in the aggregate's turnover						
	Total enterprises	15.8	15.2	15.2	15.3	15.4	
	Manufacturing	5.9	5.1	5.1	5.2	5.2	
	Manufacture of footwear	5.1	5.0	5.0	5.1	5.3	
	Weight of microenterprises in the aggregate's number of employees						
	Total enterprises	27.2	27.7	28.2	28.0	27.7	
	Manufacturing	13.9	13.8	14.0	13.8	13.4	
	Manufacture of footwear	7.3	7.2	7.1	7.0	7.3	
	Weight of small and medium-sized enterprises in the aggregate's number of enterprises						
	Total enterprises	12.3	11.6	10.6	10.2	10.3	
	Manufacturing	30.7	29.6	28.3	27.5	28.0	
	Manufacture of footwear	52.2	51.3	50.8	49.9	49.3	
	Weight of small and medium-sized enterprises in the aggregate's turnover						
	Total enterprises	43.3	42.2	41.5	41.5	41.7	
	Manufacturing	45.9	44.0	42.7	42.6	44.2	
	Manufacture of footwear	81.7	82.2	79.5	80.1	79.0	
	Weight of small and medium-sized enterprises in the aggregate's number of employees						
	Total enterprises	46.7	46.1	45.3	44.8	44.9	
	Manufacturing	65.1	64.1	63.4	63.2	63.6	
	Manufacture of footwear	82.9	83.2	81.8	81.2	81.2	
	Weight of large enterprises in the aggregate's number of enterprises						
	Total enterprises	0.3	0.3	0.2	0.2	0.3	
	Manufacturing	0.7	0.7	0.7	0.7	0.7	
	Manufacture of footwear	0.5	0.5	0.6	0.5	0.5	
	Weight of large enterprises in the aggregate's turnover						
	Total enterprises	40.9	42.6	43.3	43.2	42.8	
	Manufacturing	48.2	50.9	52.2	52.2	50.5	
	Manufacture of footwear	13.2	12.8	15.5	14.7	15.7	
	Weight of large enterprises in the aggregate's number of employees						
	Total enterprises	26.0	26.2	26.5	27.1	27.4	
	Manufacturing	21.0	22.1	22.6	23.0	23.0	
	Manufacture of footwear	9.8	9.6	11.2	11.7	11.6	
3 Turnover Contributions from the external and internal markets (p.p.) to the annual growth rate (per cent)	Turnover growth rate / Manufacture of footwear	10.6	10.6	1.4	8.5	6.6	
	Contribution of the external market	5.9	7.8	2.6	3.6	2.6	
	Contribution of the internal market	4.7	2.8	-1.2	4.9	4.0	
	Turnover growth rate / Total enterprises	4.5	-1.8	-6.2	-0.5	2.3	
	Turnover growth rate / Manufacturing	8.1	7.0	-1.6	0.0	1.1	
4 Balance of goods and services transactions with the external markets (as a percentage of turnover)	Total enterprises	-3.4	-2.5	-0.1	0.3	0.2	
	Manufacturing	6.9	5.9	8.4	10.3	12.1	
	Manufacture of footwear	48.1	49.3	49.6	47.4	45.4	
	Microenterprises	10.1	14.0	15.8	15.5	13.4	
	Small and medium-sized enterprises	51.5	52.4	52.8	51.0	49.9	
	Large enterprises	41.5	43.3	43.8	39.1	33.3	
5 Share of enterprises with EBITDA growth	Total enterprises	46.5	45.4	44.5	53.6	53.9	
	Manufacturing	45.6	44.8	46.1	56.0	54.0	
	Manufacture of footwear	55.1	55.4	51.8	62.1	55.3	
	Microenterprises	58.8	53.9	51.0	61.8	56.8	
	Small and medium-sized enterprises	52.1	56.6	52.5	62.9	54.2	
	Large enterprises	87.5	37.5	50.0	20.0	60.0	
6 Profitability Operating margin and net margin	EBITDA / Income						
	Total enterprises	11.0	7.9	7.6	8.5	8.3	
	Manufacturing	8.8	7.6	6.6	7.1	7.3	
	Manufacture of footwear	5.5	5.5	5.8	6.6	6.2	
	Net profit for the period / Income						
	Total enterprises	4.3	0.5	0.0	1.3	1.2	
Manufacturing	2.7	1.6	0.8	1.5	1.8		
Manufacture of footwear	1.2	1.2	1.5	2.5	2.1		
7 Return on equity	Total enterprises	9.7	1.2	0.1	2.8	2.8	
	Manufacturing	6.9	4.4	2.2	3.9	4.3	
	Manufacture of footwear	5.5	6.3	7.1	11.8	9.9	

Chart	Series	2010	2011	2012	2013	2014	2015
8 Capital ratio Weighted average and distribution median	Capital ratio (weighted average)	30.5	29.8	29.4	29.9	29.7	
	Total enterprises	35.7	35.9	36.5	37.3	40.5	
	Manufacturing	30.8	31.4	31.2	32.4	33.0	
	Manufacture of footwear	8.6	15.3	15.1	17.4	19.1	
	Microenterprises	31.0	30.4	30.4	32.3	32.6	
	Small and medium-sized enterprises	49.7	51.8	46.8	43.7	42.9	
	Large enterprises						
	Capital ratio (median)	24.2	24.1	23.3	23.6	25.0	
	Total enterprises	24.4	24.8	24.8	25.5	26.8	
	Manufacturing	23.9	24.2	24.6	25.6	26.7	
	Manufacture of footwear	23.4	23.4	23.4	24.2	25.6	
	Microenterprises	24.1	24.7	25.0	26.2	27.4	
	Small and medium-sized enterprises	52.7	54.5	44.2	49.9	42.1	
	Large enterprises						
9 Liabilities Contributions from components (p.p.) to the annual growth rate (per cent)	Liability growth rate / Total enterprises	8.5	1.2	-2.2	-2.3	-1.9	
	Liability growth rate / Manufacturing	10.7	0.3	-3.6	-2.3	-5.0	
	Liability growth rate / Manufacture of footwear	17.3	-0.6	4.3	5.4	5.3	
	Contribution from debt securities	0.0	-0.1	0.0	-0.1	0.0	
	Contribution from bank loans	4.6	-1.5	0.6	0.7	5.4	
	Contribution from intra-group financing	-1.3	-0.2	1.8	1.0	-0.3	
	Contribution from other financial debt	6.2	-0.5	-2.0	0.2	-0.3	
	Contribution from trade credits	4.2	0.6	3.5	1.3	-0.1	
	Contribution from other liabilities	3.6	1.0	0.4	2.2	0.6	
10 Interest expenses Weighted average and median of the annual growth rate	Growth rate of interest expenses (weighted average)	-19.6	25.7	4.5	-6.4	-6.7	
	Total enterprises	-16.9	27.4	4.4	-5.2	-8.2	
	Manufacturing	-13.6	18.1	-1.0	-10.0	10.1	
	Manufacture of footwear	-21.8	2.1	-4.5	-17.1	5.5	
	Microenterprises	-12.1	19.6	-3.3	-9.7	8.2	
	Small and medium-sized enterprises	-18.6	16.9	21.0	-8.6	24.7	
	Large enterprises						
	Growth rate of interest expenses (median)	-28.9	-9.2	-22.3	-31.4	-19.5	
	Total enterprises	-24.4	-1.4	-14.0	-23.2	-11.7	
	Manufacturing	-15.7	9.8	-5.8	-11.6	-0.4	
	Manufacture of footwear	-31.3	-19.4	-15.4	-18.4	-18.2	
	Microenterprises	-10.4	18.4	-2.3	-9.9	0.0	
	Small and medium-sized enterprises	-18.3	35.7	7.8	-9.3	-8.4	
	Large enterprises						
11 Weight of interest in EBITDA	Total enterprises	16.8	30.3	35.3	29.9	27.7	
	Manufacturing	13.3	18.4	22.5	19.8	17.5	
	Manufacture of footwear	13.1	13.7	12.8	9.3	10.2	
	Microenterprises	13.6	10.2	14.0	8.2	8.1	
	Small and medium-sized enterprises	14.4	14.8	13.7	9.5	10.5	
	Large enterprises	7.3	9.6	8.7	9.2	9.8	
12 Non-performing loans ratios (at end of period)	Total enterprises	4.8	7.2	10.8	13.8	15.4	16.2
	Manufacturing	5.7	7.5	9.7	10.8	11.5	11.5
	Manufacture of footwear	9.6	12.1	16.0	14.8	16.6	15.3

NOTES:

The aggregates "Microenterprises", "Small and medium-sized enterprises" and "Large enterprises" refer to components included in *Manufacture of footwear*, except where indicated. Similarly, the shown contributions always refer to contributions to the total of the sector under review. All figures are shown as a percentage, except where the indicator refers to contributions (p.p.). Shaded cells are not represented in the charts.