



## Sectoral analysis of the manufacture of footwear 2012-2016

9 July 2018

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 operating in the manufacture of footwear<sup>1,2</sup> between 2012 and 2016.

This information is supplemented with data for the end of 2017 on loans granted by the resident financial sector.

The results are broken down by size class – microenterprises, small and medium-sized enterprises (SMEs) and large enterprises – and compared to results for manufacturing (Section C of CAE-Rev.3) and total enterprises.

This study was published for the first time in 2012, featuring information for the 2006-12 period, and was updated in 2016 with information regarding 2010-2015.

### Structure and dynamics

**In 2016 the manufacture of footwear sector comprised two thousand enterprises, half of which were microenterprises. SMEs stood out in terms of turnover and number of employees.**

In 2016, 0.5% of enterprises in Portugal operated in the manufacture of footwear (2.1 thousand enterprises). They accounted for 1.7% of employees and 0.8% of turnover in total enterprises. Of manufacturing, the manufacture of footwear sector accounted for 5% of the enterprises, 3% of turnover and 7% of employees.

That year, 11 new enterprises were created for every 10 enterprises that ceased activity in the sector under review (Chart 1). This proportion was similar to that recorded the same year for total enterprises, albeit higher than that in manufacturing (9 new enterprises for every 10 that ceased activity).

Half of the enterprises in the manufacture of footwear were microenterprises. Thus, the weight of microenterprises in the sector was lower than that observed in total enterprises and in manufacturing: 89% and 70%, respectively (Chart 2). SMEs (49% of the sector's enterprises) were more relevant in terms of turnover and employees (with shares of around 80%).

The Porto and Aveiro districts aggregated the largest number of the manufacture of footwear enterprises (44% and 37%, respectively). Around three-quarters of turnover and employees in this sector were associated with enterprises with head office in these districts in 2016. Aveiro stood out, as 4% of turnover and 8% of employees of the enterprises with head office located in that district were in the manufacture of footwear.

### Activity and profitability

**Turnover for the manufacture of footwear increased by 3.1% in 2016; even so, the sector's EBITDA decreased by 5%.**

In 2016 turnover in the manufacture of footwear grew by 3.1% (2.1% for total enterprises and 0.8% in manufacturing) (Chart 3). In general, this sector recorded annual changes in turnover above total enterprises between 2012 and 2016.

Chart 1 • Demographic indicators

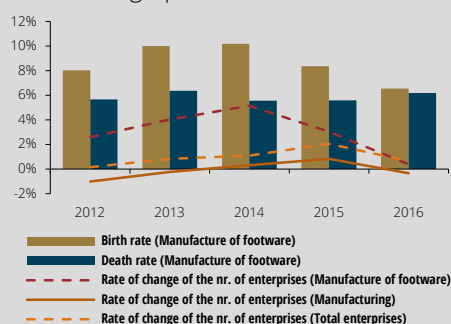
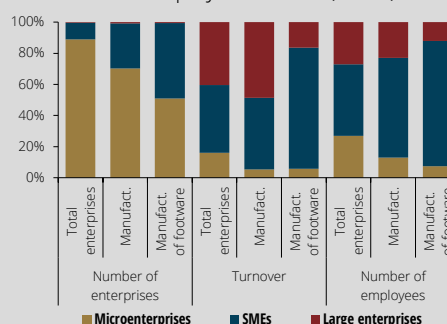


Chart 2 • Structure | By size class (2016)



In manufacture of footwear, turnover increased across all size classes in 2016, especially for microenterprises (6.0%) and SMEs (3.5%). Large enterprises recorded a marginal change in turnover, with growth slowing down by 8 pp from 2015.

The sector's EBITDA was down by 5% in 2016 (up by 7% in total enterprises and 2% in manufacturing), following the rise in the operating costs (3.5%, largely due to staff costs increasing by 5%). The EBITDA decrease in the manufacture of footwear was mainly caused by negative changes in the EBITDA of SMEs and large enterprises (reduction of 8% in both cases). One in five enterprises in the manufacture of footwear recorded a negative EBITDA (one in four in manufacturing and one in three in total enterprises) in 2016. Nonetheless EBITDA was up in half of the enterprises of the sector when compared with the previous year (Chart 4).

**63% of turnover generated by the manufacture of footwear was originated in the external market.**

In 2016 the external market originated 63% of the turnover generated by the manufacture of footwear (17 pp above manufacturing and 42 pp above total enterprises). In addition, the external market contributed more than the internal market to the year-on-year turnover growth rate of the sector under analysis: 1.7 pp and 1.4 pp, respectively (Chart 3).

That year, the manufacture of footwear recorded a positive balance of goods and services transactions with the external markets, corresponding to 46% of turnover (Chart 5). This figure was higher than the balance of manufacturing (17%) and the balance of total enterprises (1%) – this situation was observed throughout the period between 2012 and 2016.

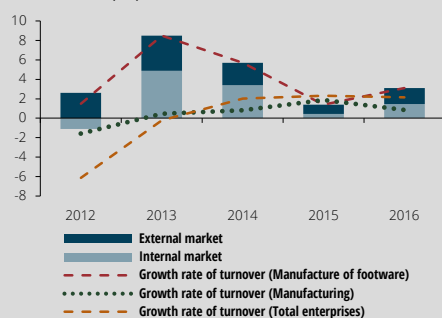
In 2016, one in five enterprises in the manufacture of footwear was in the export sector<sup>3</sup> (15% in manufacturing and 6% in total enterprises). Enterprises in the export sector were responsible for 76% of turnover generated by the manufacture of footwear (71% in manufacturing and 34% in total enterprises).

**Return on equity in manufacture of footwear decreased by 2 pp from 2015 and was below manufacturing's profitability.**

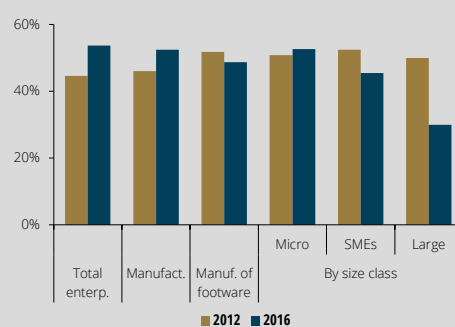
Return on equity in the manufacture of footwear was of 9% in 2016, a 2 pp decrease against 2015. For the first time in the period between 2012 and 2016, the sector's return on equity was lower than that in manufacturing (10%), though it remained higher than that of total enterprises (8%) (Chart 6). Return for microenterprises in the sector rose by 12 pp in 2016, to 14%; in contrast, SMEs and large enterprises recorded a decrease in return on equity: 3 pp in both cases to 8% and 10%, respectively.

The operating margin (EBITDA/Revenue) of the manufacture of footwear was 6.5%, while the net margin (Net income/Revenue) was 2.5%, both lower than the ones recorded by total enterprises and

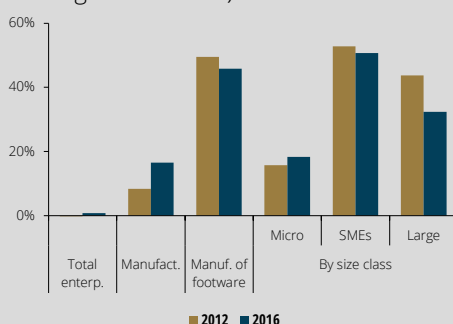
**Chart 3 • Turnover | Contributions from the external and internal markets (pp) to the annual growth rate (%)**



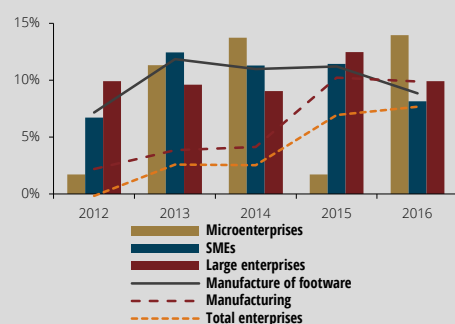
**Chart 4 • Share of enterprises with EBITDA growth**



**Chart 5 • Balance of goods and services transactions with the external markets (as a percentage of turnover)**



**Chart 6 • Return on equity**



manufacturing (around 10% and 4% for the aforementioned margins, respectively) (Chart 7).

## Financial situation

### Capital ratio higher than that of total enterprises.

In 2016, six out of ten euro of the assets of the enterprises in the manufacture of footwear sector were funded by debt (seven euro for total enterprises). Between 2012 and 2016, the weighted average of the capital ratio in the manufacture of footwear increased, converging to the figure recorded by manufacturing (40% in 2016) (Chart 8). Even so, half of the enterprises in this sector had a capital ratio below 27%. One in five enterprises in the manufacture of footwear sector had negative equity in 2016, lower than manufacturing and total enterprises (23% and 28%, respectively).

In 2016 the capital ratio in the manufacture of footwear increased with size class: 22% in microenterprises, 38% in SMEs and 63% in large enterprises.

### Interest-bearing debt represented 38% of liabilities in the manufacture of footwear, lower than in manufacturing and total enterprises.

Liabilities rose by 2% in the manufacture of footwear in 2016, less than the 7% increase in manufacturing (Chart 9). Changes in this sector reflected a greater contribution from most components of liabilities, except for intra-group financing (negative contribution of 0.5 pp).

In 2016 interest-bearing debt represented 38% of liabilities in the manufacture of footwear, lower than in manufacturing and total enterprises (51% and 57% respectively). Bank loans totalled 32% of the sector's liabilities. The weight of interest-bearing debt for enterprises in the manufacture of footwear sector increased according to their size: 29%, 38% and 44% of liabilities of microenterprises, SMEs and large enterprises, respectively.

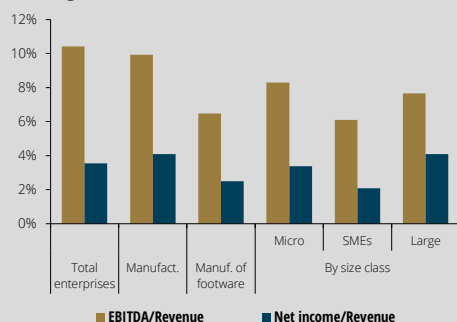
### Despite the decrease in EBITDA, financial pressure declined, reflecting the larger impact of the reduction in interest paid.

In 2016 interest expenses decreased by 11% against 2015 in the manufacture of footwear (Chart 10). This reduction was higher than in total enterprises (9%) but lower than in manufacturing (18%).

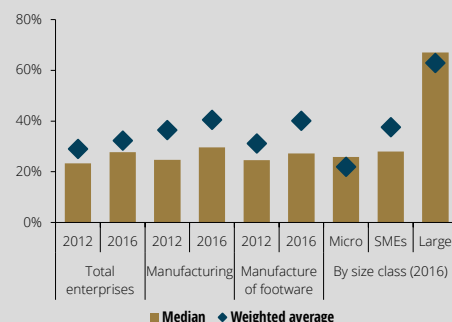
The decrease in interest expenses was broadly based across all size classes, being more significant in large enterprises (18%, against 13% in microenterprises and 10% in SMEs). Half of the microenterprises recorded a fall in interest expenses of at least 25%.

The reduction in interest expenses more than offset the fall in EBITDA in this sector, leading to a decrease in financial pressure: 1 pp to 7% in 2016 (Chart 11). This decrease was smaller than that in total enterprises (3 pp) and manufacturing (2 pp), even though the manufacture of footwear recorded lower levels of financial pressure.

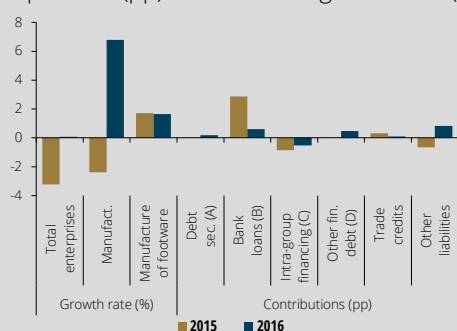
**Chart 7 • Profitability | Operating margin and net margin (2016)**



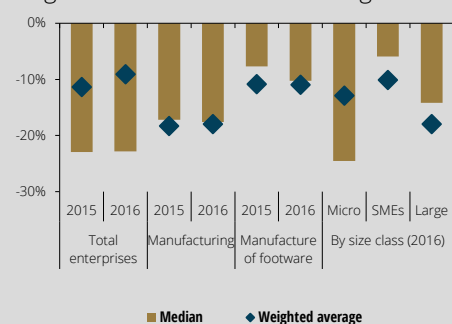
**Chart 8 • Capital ratio | Weighted average and distribution median**



**Chart 9 • Liabilities | Contributions from components (pp) to the annual growth rate (%)**



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



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

The decrease in financial pressure was more significant for microenterprises (5 pp). In this subset of enterprises, financial pressure stood at 5% in 2016, comparing to 3% and 9% in large enterprises and SMEs, respectively.

**In 2017 loans to the manufacture of footwear by the resident financial sector decreased.**

According to information from Banco de Portugal's Central Credit Register loans granted to the manufacture of footwear by the resident financial sector decreased by 1.7% between the end of 2016 and the end of 2017. In manufacturing and total enterprises, the amount of loans granted decreased by 1.7% and 4.9% respectively in the same period.

By the end of 2017, the non-performing loans ratio in the manufacture of footwear was 13.8% (Chart 12), unchanged from the end of 2016. Also by the end of 2017, this ratio was higher than what was recorded for manufacturing and total enterprises (9.3% and 13.5% respectively). Microenterprises in the manufacture of footwear recorded the highest non-performing loans ratio (26.4%), despite an 11.3 pp decrease from 2016.

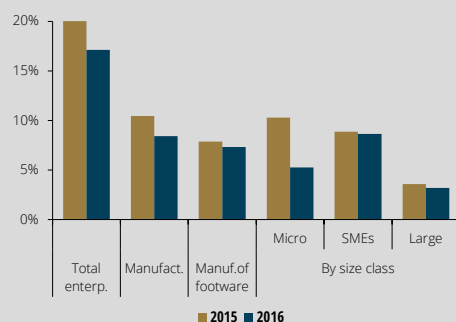
SMEs and large enterprises in the sector recorded non-performing loans ratios of 13.3% and 5.1%, respectively, by the end of 2017.

In the manufacture of footwear, 31.5% of enterprises recorded at least one default situation by the end of 2017 (26.8% in manufacturing and 25.1% in total enterprises). The percentage of enterprises with non-performing loans decreased in direct opposition to size class: 33.3% in microenterprises, 30.5% in SMEs and 18.2% in large enterprises.

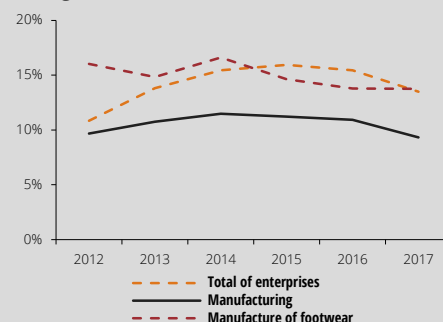
Trade credits accounted for 36% of the liabilities of enterprises in the manufacture of footwear in 2016 (27% in manufacturing and 16% in total enterprises). However, enterprises in this sector were unable to receive trade credit financing, due to the negative differential between accounts payable and accounts receivable, equivalent to 5% of the turnover generated by the sector.

The difficulty in obtaining trade credit financing was common to all size classes; in microenterprises and large enterprises, the negative differential was equivalent to 8% of turnover (-3% in SMEs).

**Chart 11 • Weight of interest expenses in EBITDA**



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



<sup>1</sup> In the “Empresas” (Corporate) section of Banco de Portugal's website (only in the Portuguese version), enterprises may, instantly and without charge, obtain the respective Enterprise and Sector Table. With this information, the enterprise can compare its economic and financial situation with other enterprises in the same sector of economic activity and size class, taking into account a wide range of indicators.

<sup>2</sup> For the purposes of this analysis, the manufacture of footwear corresponds to Group 152 of CAE-Rev.3, an economic activity in manufacturing.

<sup>3</sup> The definition of the export sector is presented in more detail in *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 30 on non-financial corporations \(Portuguese only\)](#)

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

[Statistical Press Release No 67 | 2016 on the update of Central Balance Sheet Study No 10](#)

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## Annex – Main indicators of the manufacture of footwear

Chart	Series	2012	2013	2014	2015	2016	2017
1 Demographic indicators	Manufacture of footwear						
	Birth rate	8.0	10.0	10.2	8.4	6.5	
	Death rate	5.7	6.4	5.6	5.6	6.2	
	Rate of change in the number of enterprises	2.6	4.0	5.1	3.0	0.4	
	Rate of change in the number of enterprises / Total enterprises	0.1	0.8	1.1	2.0	0.6	
	Rate of change in the number of enterprises / Manufacturing	-1.0	-0.2	0.3	0.8	-0.3	
2 Structure   By size class	Share of microenterprises in the number of enterprises in the aggregate						
	Total enterprises	88.9	89.4	89.4	89.2	89.0	
	Manufacturing	70.7	71.6	71.4	70.9	70.4	
	Manufacture of footwear	48.0	49.3	50.1	50.1	50.9	
	Share of microenterprises in the aggregate's turnover						
	Total enterprises	15.5	15.6	15.7	15.9	15.9	
	Manufacturing	5.2	5.4	5.3	5.3	5.3	
	Manufacture of footwear	5.0	5.2	5.3	5.7	5.8	
	Share of microenterprises in the number of employees in the aggregate						
	Total enterprises	28.2	28.1	27.9	27.3	27.0	
	Manufacturing	14.0	13.9	13.5	13.3	12.9	
	Manufacture of footwear	7.0	7.1	7.2	7.1	7.4	
	Share of SMEs in the number of enterprises in the aggregate						
	Total enterprises	10.9	10.4	10.3	10.6	10.8	
	Manufacturing	28.6	27.7	27.9	28.3	28.9	
	Manufacture of footwear	51.5	50.2	49.4	49.4	48.6	
	Share of SMEs in the aggregate's turnover						
	Total enterprises	42.2	42.1	42.2	42.8	43.6	
	Manufacturing	43.3	43.0	44.6	45.2	46.1	
	Manufacture of footwear	79.9	80.4	79.3	77.5	77.8	
	Share of SMEs in the number of employees in the aggregate						
	Total enterprises	46.1	45.6	45.4	45.4	46.1	
	Manufacturing	64.2	63.9	64.1	64.0	64.0	
	Manufacture of footwear	82.1	81.5	81.4	80.8	80.6	
	Share of large enterprises in the number of enterprises in the aggregate						
	Total enterprises	0.2	0.2	0.2	0.2	0.3	
	Manufacturing	0.7	0.7	0.7	0.7	0.8	
	Manufacture of footwear	0.5	0.5	0.5	0.5	0.5	
	Share of large enterprises in the aggregate's turnover						
	Total enterprises	42.4	42.3	42.1	41.3	40.4	
	Manufacturing	51.4	51.6	50.0	49.5	48.6	
	Manufacture of footwear	15.1	14.4	15.4	16.8	16.4	
	Share of large enterprises in the number of employees in the aggregate						
	Total enterprises	25.7	26.3	26.7	27.3	27.0	
	Manufacturing	21.8	22.2	22.4	22.7	23.0	
	Manufacture of footwear	10.8	11.4	11.3	12.1	12.0	
3 Turnover   Contributions from the external and internal markets (pp) to the annual growth rate (%)	Growth rate of turnover / Manufacture of footwear	1.5	8.5	5.7	1.4	3.1	
	Contribution from the external market	2.6	3.6	2.3	1.0	1.7	
	Contribution from the internal market	-1.1	4.9	3.4	0.4	1.4	
	Growth rate of turnover / Total enterprises	-6.2	-0.2	2.0	2.3	2.1	
	Growth rate of turnover / Manufacturing	-1.6	0.5	0.8	1.9	0.8	
	Growth rate of turnover / Manufacture of footwear						
4 Share of enterprises with EBITDA growth	Total enterprises	44.6	53.7	54.2	54.6	53.7	
	Manufacturing	46.1	56.0	54.5	55.1	52.5	
	Manufacture of footwear	51.8	62.3	56.6	47.9	48.7	
	Microenterprises	50.8	61.9	57.0	48.2	52.7	
	Small and medium-sized enterprises	52.5	63.1	56.2	47.7	45.5	
	Large enterprises	50.0	20.0	60.0	44.4	30.0	
5 Balance of goods and services transactions with the external markets (as a percentage of turnover)	Total enterprises	-0.1	0.5	0.3	0.6	0.9	
	Manufacturing	8.4	10.2	12.1	14.8	16.6	
	Manufacture of footwear	49.5	47.4	45.5	45.8	45.9	
	Microenterprises	15.8	15.5	13.5	15.7	18.3	
	Small and medium-sized enterprises	52.7	50.9	50.2	50.5	50.7	
	Large enterprises	43.8	39.1	33.3	34.4	32.3	
6 Return on equity	Total enterprises	-0.2	2.6	2.5	6.9	7.7	
	Manufacturing	2.2	3.8	4.1	10.2	9.9	
	Manufacture of footwear	7.1	11.8	11.0	11.2	8.8	
	Microenterprises	1.7	11.3	13.7	1.7	14.0	
	Small and medium-sized enterprises	6.7	12.4	11.3	11.4	8.1	
	Large enterprises	9.9	9.6	9.0	12.5	9.9	

Chart	Series	2012	2013	2014	2015	2016	2017
7 Profitability   Operating margin and net margin	EBITDA / Revenue						
	Total enterprises	7.5	8.4	8.2	10.0	10.4	
	Manufacturing	6.6	7.1	7.2	9.8	9.9	
	Manufacture of footwear	5.8	6.6	6.5	7.0	6.5	
	Microenterprises	6.1	7.8	7.8	5.1	8.3	
	Small and medium-sized enterprises	5.6	6.7	6.5	6.8	6.1	
	Large enterprises	6.8	5.6	5.7	8.3	7.7	
	Net income / Revenue						
	Total enterprises	-0.1	1.2	1.1	3.1	3.5	
	Manufacturing	0.8	1.4	1.7	4.2	4.1	
	Manufacture of footwear	1.5	2.5	2.4	2.9	2.5	
	Microenterprises	0.3	2.4	2.8	0.4	3.4	
	Small and medium-sized enterprises	1.3	2.5	2.4	2.7	2.1	
	Large enterprises	2.7	2.5	2.3	4.7	4.1	
8 Capital ratio   Weighted average and distribution median	Capital ratio (weighted average)						
	Total enterprises	29.0	29.6	29.2	31.4	32.3	
	Manufacturing	36.4	37.2	40.3	41.6	40.4	
	Manufacture of footwear	31.1	32.3	33.9	38.1	40.1	
	Microenterprises	15.1	17.5	19.3	20.8	22.0	
	Small and medium-sized enterprises	30.4	32.2	33.8	35.6	37.6	
	Large enterprises	46.8	43.7	42.9	59.9	62.9	
	Capital ratio (median)						
	Total enterprises	23.3	23.6	24.9	26.5	27.8	
	Manufacturing	24.8	25.4	26.8	28.6	29.6	
	Manufacture of footwear	24.6	25.6	27.4	27.4	27.2	
	Microenterprises	23.5	24.3	25.8	26.2	25.8	
	Small and medium-sized enterprises	25.0	26.2	27.9	28.3	28.0	
	Large enterprises	44.2	49.9	42.1	62.1	67.1	
9 Liabilities   Contributions from components (pp) to the annual growth rate (%)	Growth rate of liabilities / Total enterprises	-1.7	-1.8	-0.9	-3.2	0.1	
	Growth rate of liabilities / Manufacturing	-3.3	-1.8	-4.9	-2.4	6.8	
	Growth rate of liabilities / Manufacture of footwear	4.6	5.6	2.7	1.7	1.6	
	Contribution from debt securities	0.0	-0.1	0.0	0.0	0.2	
	Contribution from bank loans	0.6	0.8	4.4	2.9	0.6	
	Contribution from intra-group financing	1.8	1.0	-0.3	-0.8	-0.5	
	Contribution from other financial debt	-1.9	0.2	-0.3	0.0	0.5	
	Contribution from trade credits	3.6	1.4	-0.8	0.3	0.1	
	Contribution from other liabilities	0.5	2.3	-0.3	-0.7	0.8	
10 Interest expenses   Weighted average and median of the annual growth rate	Growth rate of interest expenses (weighted average)						
	Total enterprises	4.7	-6.4	-5.9	-11.4	-9.1	
	Manufacturing	4.5	-4.9	-8.5	-18.3	-18.0	
	Manufacture of footwear	-0.8	-10.1	7.6	-10.9	-11.0	
	Microenterprises	-4.5	-17.1	7.4	-9.0	-12.9	
	Small and medium-sized enterprises	-3.1	-9.8	5.0	-5.3	-10.1	
	Large enterprises	21.0	-8.6	24.7	-42.8	-18.0	
	Growth rate of interest expenses (median)						
	Total enterprises	-22.4	-31.6	-20.3	-23.0	-22.8	
	Manufacturing	-14.2	-23.3	-13.1	-17.2	-17.6	
	Manufacture of footwear	-5.0	-11.9	-3.4	-7.7	-10.2	
	Microenterprises	-15.4	-18.9	-18.7	-17.1	-24.5	
	Small and medium-sized enterprises	-2.1	-9.8	4.8	-4.2	-5.9	
	Large enterprises	7.8	-9.3	-8.4	-20.6	-14.2	
11 Weight of interest expenses in EBITDA	Total enterprises	35.7	30.1	28.3	20.1	17.1	
	Manufacturing	22.6	19.9	17.7	10.4	8.4	
	Manufacture of footwear	12.8	9.3	9.7	7.9	7.3	
	Microenterprises	13.9	8.2	7.9	10.3	5.3	
	Small and medium-sized enterprises	13.7	9.5	9.8	8.9	8.7	
	Large enterprises	8.7	9.2	9.8	3.6	3.2	
12 Non-performing loans ratio (end-of-period figures)	Total enterprises	10.8	13.8	15.4	15.9	15.5	13.5
	Manufacturing	9.7	10.8	11.5	11.2	10.9	9.3
	Manufacture of footwear	16.0	14.8	16.6	14.6	13.8	13.8

NOTES: The aggregates 'Microenterprises', 'Small and medium-sized enterprises' and 'Large enterprises' refer to components of the manufacture of footwear, except where otherwise stated. Similarly, contributions shown always refer to contributions to the total for the sector under review. All figures are shown as a percentage, except where the indicator refers to contributions (pp). Shaded cells are not represented in the charts. Non-calculated indicators are signalled with 'N.A'.