BANCO DE PORTUGAL
EUROSYSTEM

STATISTICAL PRESS RELEASE 120|2017

Central Balance Sheet Study | 30

Sectoral analysis of non-financial corporations in Portugal

2012-2016

18 December 2017

Today, Banco de Portugal published *Central Balance Sheet Study | 30* which analyses the economic and financial situation of non-financial corporations in Portugal from 2012 to 2016.

The results are chiefly based on data from Banco de Portugal's Central Balance Sheet Database.

Results are shown for total enterprises, broken down by size class – microenterprises, small and medium-sized enterprises (SMEs) and large enterprises – and economic activity sector ('agriculture and fishing', 'manufacturing', 'electricity and water', 'construction', 'trade' and 'other services').

The analysis is supplemented by information for the first half of 2017 on bank loans obtained by these enterprises from the Portuguese financial system.

Structure and dynamics

In 2016 the non-financial sector included 418,000 enterprises; 90% were microenterprises and 40% of turnover was generated by large enterprises. Three out of four enterprises belonged to other services or trade

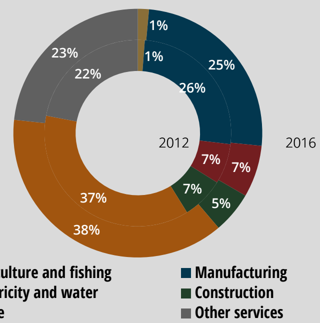
In 2016 around 418,000 non-financial corporations carried out their activities in Portugal.

Nine out of ten were microenterprises, which generated 16% of aggregate turnover. Large enterprises generated 40% of turnover, although they only accounted for 0.3% of enterprises.

The share of microenterprises and SMEs increased slightly from 2012 to 2016 in terms of turnover (0.5 and 1.5 p.p. respectively).

Three quarters of enterprises were associated with services: 49% with other services and 26% with trade. Trade (38%) and manufacturing (25%) were the most important sectors in terms of turnover (Chart 1).

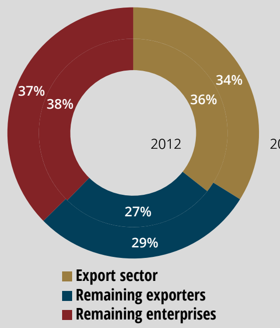
Chart 1 • Structures | By economic activity segment (turnover)



In 2016 six out of 100 enterprises belonged to the export sector.[1] These enterprises accounted for 34% of turnover generated by enterprises in Portugal (Chart 2).

Exporting enterprises were more important in manufacturing (15% of enterprises). In other services, agriculture and fishing and construction (and even in electricity and water) nine out of ten enterprises did not operate in the external market. In trade, 13% of enterprises were exporters, even if their exports were not sufficient for them to belong to the export sector (which in this sector comprised only 5% of enterprises).

Chart 2 • Structures | According to the degree of integration in the export sector (turnover)



The number of active enterprises in Portugal increased by 0.6% in 2016, less than in 2015 (-1.4 p.p.).

The number of enterprises only increased in microenterprises; in SMEs and large enterprises, an enterprise was created for every three that ceased activities.

Agriculture and fishing and other services were the only sectors where the number of active enterprises increased in 2016.

Activity and profitability

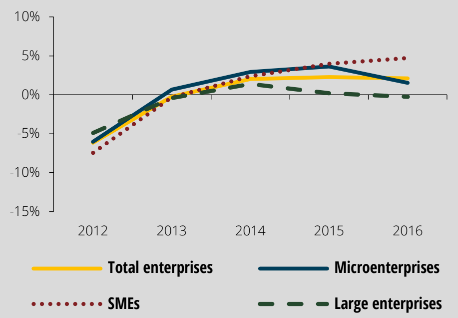
Turnover increased by 2% in 2016. Return on equity reached 8%

Enterprises' turnover increased by 2.1% in 2016, similarly to 2015 (Chart 3).

The increase in turnover was more significant in SMEs (4.7%) and, in sectoral terms, in agriculture and fishing, other services and trade (6%, 4% and 3% respectively). Construction was the only sector posting a decline in its turnover (-2%).

The increase in turnover was mostly the result of changes in the domestic market. However, two-thirds of enterprises with an increase in turnover also saw their exports grow.

Chart 3 • Turnover | Annual rate of growth

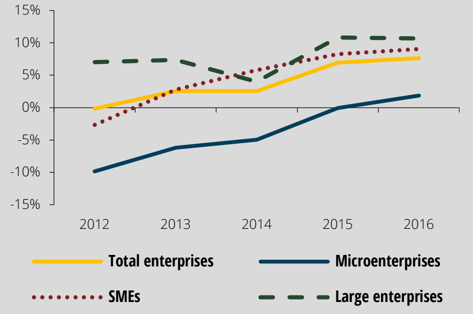


Operating expenses grew by 1.7% in 2016, reflecting positive changes in all components for 2015, particularly in employee expenses (+4.5%).

Together, the increase in turnover and operating expenses resulted in growth of 7% in EBITDA, 18 p.p. less than in 2015. The share of enterprises with positive changes in this indicator also declined (by 1 p.p., to 54% in 2016).

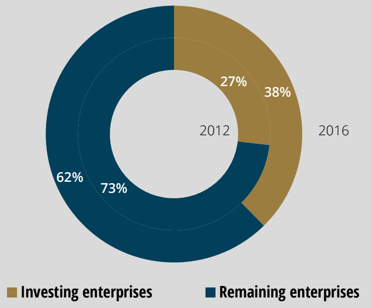
The increase in net profitability led to growth in return on equity (0.7 p.p. compared with the previous year), which reached 8% (Chart 4).

Chart 4 • Return on equity



In 2016, 15% of enterprises were considered investing enterprises,[2] a share 4 p.p. higher than in 2012. These enterprises accounted for 38% of turnover generated by non-financial corporations in 2016 (a share 11 p.p. higher than in 2012) (Chart 5). In turn, the share of enterprises with this characteristic has increased rather steadily from 2012 onwards (compared with 2015, by 1 p.p. in terms of the number of enterprises and by 3 p.p. when assessing the relevance of investing enterprises in terms of turnover).

Chart 5 • Structures | According to the degree of integration in the set of investing enterprises (turnover)

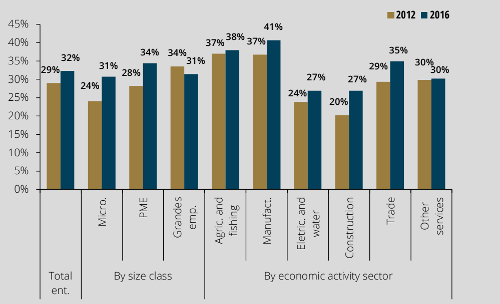


Financial structure

In 2016, 68% of assets were funded by debt; 28% of enterprises posted negative equity

In 2016 the average capital ratio of enterprises was 32%, i.e. 68% of corporate assets were funded by debt (Chart 6), which was particularly relevant for enterprises in construction and electricity and water.

Chart 6 • Capital ratio



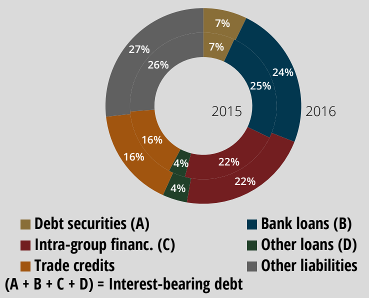
The increase in the capital ratio of enterprises compared with 2015 (1 p.p.) was mostly due to positive changes in equity. Of total enterprises with increases in this indicator, 43% saw a greater increase in equity than in assets and 42% posted both an increase in equity and a decrease in assets.

Enterprises with negative equity are particularly dependent on debt. This was the case for 28% of enterprises in 2016, a share which was nevertheless 1 p.p. below that observed in 2015.

Interest-bearing debt and trade credits were the main sources of debt. Together, they accounted for 73% of liabilities (0.6 p.p. below the share observed in 2015). The remaining debt corresponded to other liabilities, including debt to the State, debt to shareholders/partners or other accounts payable.

Bank loans accounted for 24% of corporate liabilities (25% in 2015); intra-group financing represented 22% of liabilities (as in 2015). Debt securities and other loans corresponded to 7% and 4% of liabilities respectively (similarly to 2015) (Chart 7).

Chart 7 • Liabilities structure



Financial costs and solvency

Financial pressure declined by 3 p.p. in 2016, reflecting a decrease in interest expenses and an increase in EBITDA

The decline of the weight of interest-bearing debt in total liabilities contributed to the decrease of interest expenses borne by enterprises compared with 2015 (9%).

This, together with developments in EBITDA, resulted in a decline in financial pressure on enterprises (measured by the weight of interest in EBITDA) from 20% in 2015 to 17% in 2016. This decline was observed across size classes and economic activity sectors.

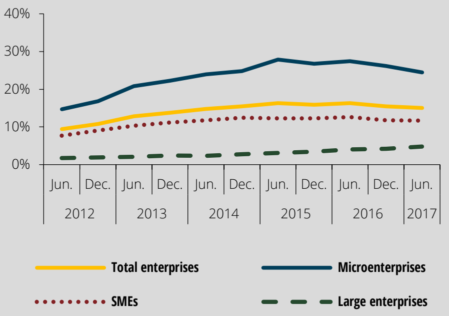
Information compiled by the Central Credit Register of Banco de Portugal indicates that loans from resident credit institutions to non-financial corporations have declined over the past few years. At the end of June 2017, they accounted for only 76.1% of the figure recorded at the end of 2012.

The quality of credit granted to enterprises deteriorated from the end of 2012 to the end of June 2017: over that period, non-performing loans increased by 6%. From the end of 2012 to the end of June 2015, the amount of non-performing loans had increased by 32%.

Loans to enterprises declined by 2.2% from the end of 2016 to the end of the first half of 2017 (a drop which was of 7.3%, when compared with the same period a year earlier).

At the end of the first half of 2017, the non-performing loans ratio associated with total enterprises was 0.4 p.p. below that recorded at the end of the previous year (Chart 8).

Chart 8 • Non-performing loans ratios (end-of-period figures)



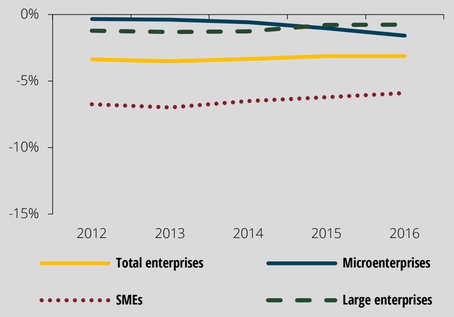
Trade credit financing

Net trade credit financing was negative

In 2016 trade credit financing accounted for 16% of corporate liabilities.

Nevertheless, the balance of trade credits and trade debts, weighted by turnover, remained negative in 2016 (-3%), reflecting the fact that enterprises have not been able to obtain financing through this means (Chart 9).

Chart 9 • Net trade credit financing | Per cent of turnover



[1] The export sector comprises enterprises with at least 50% of turnover coming from exports of goods and services or, alternatively, at least 10% of turnover from exports of goods and services where these exceed €150,000.
[2] Investing enterprises are the subset of active non-financial corporations characterised by annual changes in non-financial investments (i.e. fixed tangible assets, intangible assets, investment property and biological assets) where these exceed 10% or €100,000.

Additional information available at:

Domain: Central Balance Sheet Database statistics of BP*stat* | Statistics Online

Supplement No 2/2013 to the *Statistical Bulletin* on statistics on non-financial corporations of the Central Balance Sheet Database

Central Balance Sheet Study No 30 on non-financial corporations (in Portuguese only)

Banco de Portugal | info@bportugal.pt