



Sectoral analysis of manufacture of food products 2012-2016

26 March 2018

Banco de Portugal updates today the *Central Balance Sheet Study | 4 – Sectoral analysis of manufacture of food products* with information on the economic and financial situation of enterprises in the manufacture of food products sector^{1,2} 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 with results for manufacturing (Section C of CAE-Rev.3) and total enterprises.

This study was published for the first time in 2011, featuring information for the 2006-11 period, and updated in 2016, featuring information for the 2010-15 period.

Structure and dynamics

The manufacture of food products sector comprised more than 6 thousand enterprises in 2016. The number of enterprises decreased from 2015.

In 2016 the manufacture of food products sector comprised 6.2 thousand enterprises, which corresponded to 1.5 per cent of the number of enterprises in Portugal, 4 per cent of their turnover and 3 per cent of the number of employees. This sector also accounted for 14 per cent of enterprises, 15 per cent of turnover and 14 per cent of employees in manufacturing. The weight of the manufacture of food products in manufacturing has remained unchanged since 2012.

The number of active enterprises in the sector declined by 0.3 per cent in 2016 from the previous year (similarly to manufacturing as a whole). This change contrasts with a 0.6 per cent increase in total enterprises (Chart 1).

The sector chiefly comprised microenterprises, although SMEs accounted for the largest share in terms of turnover and number of employees.

‘Bakery products’ (CAE 107) accounted for a substantial share in terms of the number of enterprises and employees in the sector (61 per cent and 42 per cent respectively). ‘Meat products’ (CAE 101) generated 20 per cent of turnover (Chart 2).

The manufacture of food products chiefly comprised microenterprises (70 per cent), although SMEs (29 per cent) were more representative taking into account turnover (56 per cent) and the number of employees (63 per cent) (Chart 3).

Turnover was mostly concentrated in enterprises whose head office was located in the Lisbon (32 per cent), Porto (15 per cent) and Santarém (8 per cent), districts which aggregated 55 per cent of turnover of the manufacture of food products sector in 2016. Nevertheless, the sector’s representativeness was greater in Ponta Delgada and Angra do Heroísmo, where in 2016 the sector was responsible for 15 and 13 per cent, respectively, of turnover of enterprises having their head office in those districts.

Chart 1 • Demographic indicators

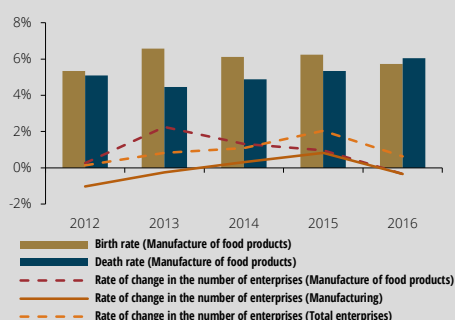
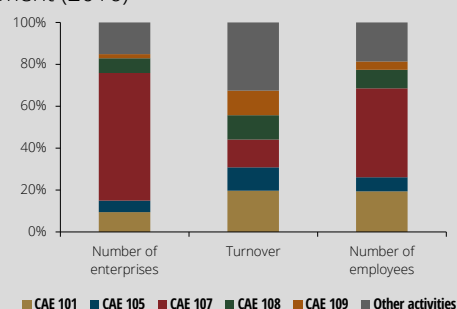


Chart 2 • Structure | By economic activity segment (2016)



Activity and profitability

Turnover increased by 2.4 per cent in 2016.

Turnover in the manufacture of food products increased by 2.4 per cent in 2016 from the previous year, which corresponded to the highest growth rate in the sector between 2012 and 2016, and exceeded that seen in manufacturing and total enterprises in 2016 (0.8 and 2.1 per cent respectively). By size class, turnover increased particularly in large enterprises (6 per cent), while SMEs posted a marginal change (0.1 per cent). Turnover in microenterprises decreased by 0.5 per cent in 2016. The 'meat products' segment (CAE 101) made the largest contribution to the sector's turnover growth, while 'fruit and vegetables' (CAE 103) posted annual changes in turnover of more than 5 per cent in the 2012-16 period.

In 2016, 20 per cent of turnover in the manufacture of food products was determined by exports. The external market contributed to an increase in the sector's turnover (1 p.p.), although the largest positive contribution was associated with the domestic market (1.5 p.p.) (Chart 4).

The differential between the export component of turnover and the import component of purchases and SES (supplies and external services) was negative in 2016, corresponding to 2 per cent of turnover in the sector under review (positive differential of 17 per cent in manufacturing and 1 per cent in total enterprises). Also in 2016, 5 per cent of enterprises in the manufacture of food products sector were part of the export sector.³ The weight of the export sector in the manufacture of food products was, however, below that in manufacturing and total enterprises (15 and 6 per cent respectively).

EBITDA in the manufacture of food products sector decreased by 13 per cent in 2016 (2 per cent increase in manufacturing and 7 per cent in total enterprises). Large enterprises made a 16 p.p. contribution to a reduction in the sector's EBITDA, chiefly due to the losses sustained by a large enterprise in connection with a specific operation. Microenterprises and SMEs made positive contributions (0.4 p.p. and 2.9 p.p. respectively).

More than half of the sector's enterprises posted positive annual changes in EBITDA compared with 2015. This share was greater for large enterprises (66 per cent) (Chart 5). However, 1 in every 3 enterprises in the manufacture of food products sector posted negative EBITDA in 2016 and, although this share was below that seen in 2015 (35 per cent), it was higher than that seen in manufacturing and total enterprises in 2016 (25 and 32 per cent respectively).

Return on equity was lower than in total enterprises in 2016.

Return on equity in the manufacture of food products sector was 5 per cent in 2016 (down by 4 p.p. from 2015), below that seen in manufacturing and total enterprises (10 and 8 per cent respectively) (Chart 6). This decrease was due to a 10 p.p. reduction of large enterprises' profitability, to 6 per cent (following the aforementioned decline in EBITDA).

The operating margin (EBITDA/Revenue) in the manufacture of food products sector was 6 per cent in 2016, below that in manufacturing and total enterprises (10 per cent in both cases) (Chart 7). The net margin (Net income/Revenue) was lower than that in manufacturing and total enterprises (2 per cent, compared with 4 per cent in the last two cases). Between 2015 and 2016, the sector's operating and net margins decreased by 0.9 p.p. and 1.3 p.p. respectively, in contrast with the consecutive increases seen between 2012 and 2015.

Financial structure

The capital ratio increased. Interest-bearing debt accounted for a lower share of the sector's liabilities.

The capital ratio of the manufacture of food products sector was 42 per cent in 2016 (40 per cent in manufacturing and 32 per cent in total enterprises) (Chart 8). Despite the consistent increase in this ratio in the 2012-16 period, the capital ratio of half of the sector's enterprises was less than or equal to 24 per cent in 2016, with the sector's average being determined by the higher average capital ratio of large enterprises (49 per cent). The lower average capital ratio of

Chart 3 • Structure | By size class (2016)

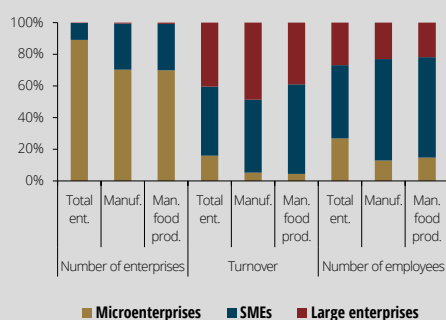
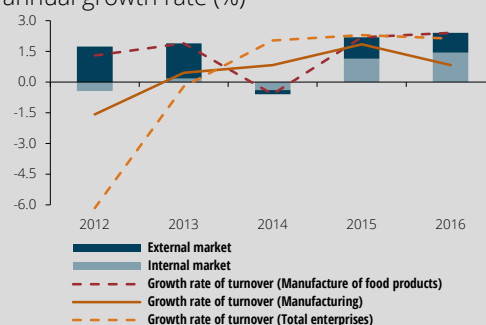


Chart 4 • Turnover | Contributions from the external and internal markets (p.p.) to the annual growth rate (%)



microenterprises (19 per cent) was due to a substantial share of microenterprises with negative equity levels (39 per cent, compared with 16 per cent in SMEs and 2 per cent in large enterprises). 'Manufacture of dairy products' (CAE 105) had the highest capital ratio (65 per cent), as opposed to 'bakery products' (CAE107) (28 per cent).

Liabilities in the manufacture of food products sector increased by 1 per cent in 2016 from 2015, with trade credits making the most substantial contribution, to the detriment of bank loans and debt securities, which posted negative developments (Chart 9).

Interest-bearing debt was responsible for 48 per cent of total liabilities in the manufacture of food products sector in 2016, below that seen in manufacturing and total enterprises (51 and 57 per cent respectively). Among interest-bearing liabilities, bank loans accounted for a substantial share (32 per cent of the sector's liabilities). Interest-bearing debt was more relevant for SMEs (52 per cent of liabilities).

Reduction in interest expenses led to a decrease in financial pressure, despite a fall in EBITDA.

Interest expenses in the sector under review decreased by 20 per cent in 2016, i.e. more than in manufacturing (18 per cent) and total enterprises (9 per cent) (Chart 10). This decline was broadly based across size classes, but was more marked in SMEs (21 per cent).

Despite the reduction in EBITDA, the decline in interest expenses in 2016 led to a decrease in financial pressure (1 p.p. from 2015) (Chart 11). In

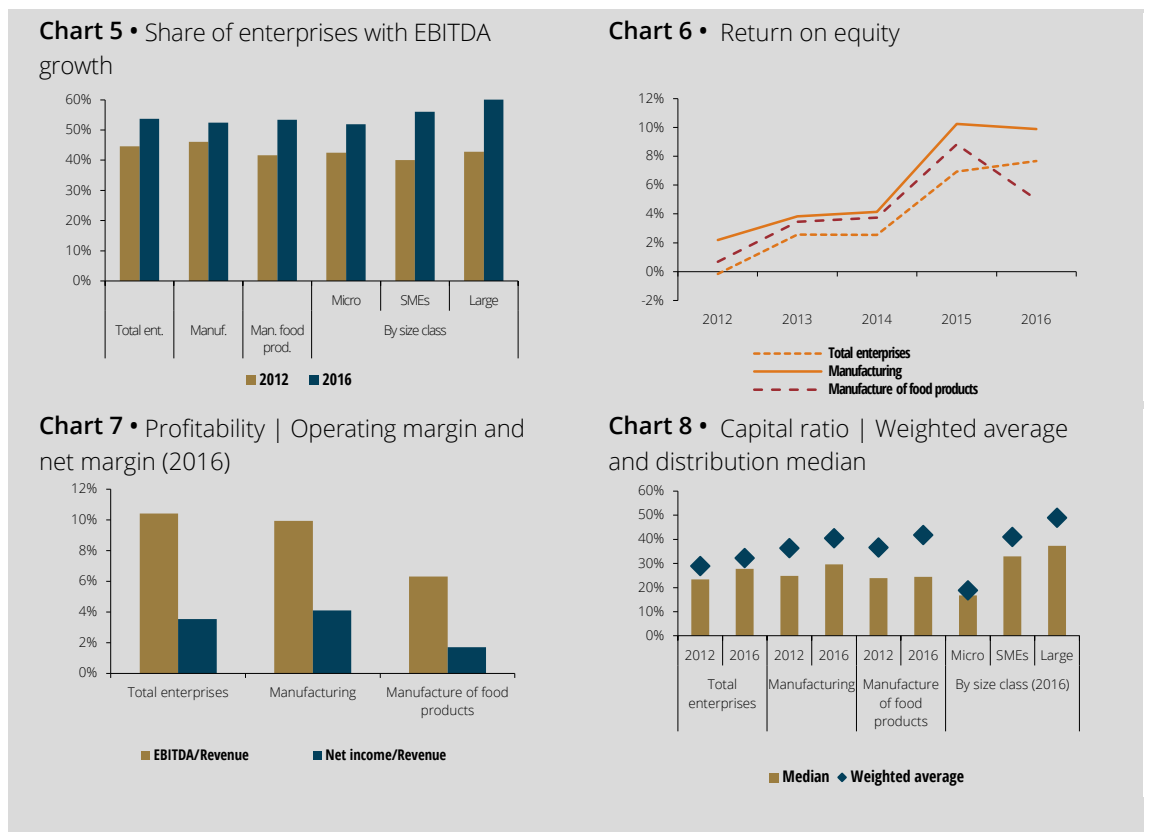
2016, for every €100 in EBITDA generated by the manufacture of food products sector, €9.6 were consumed by interest, a share above that seen in manufacturing (8.4 per cent financial pressure), but below total enterprises (17.1 per cent). The decrease in this indicator was more substantial in microenterprises as a whole (35 p.p.), which, nevertheless, posted the highest financial pressure levels in 2016 (45 per cent). Over the same period, large enterprises in the sector saw an increase in financial pressure of 1 p.p., to 7 per cent.

Bank loans granted to the sector increased in 2017.

According to Banco de Portugal's Central Credit Register data, loans granted by the resident financial sector to the manufacture of food products sector declined by 2.5 per cent between the end of 2015 and the end of 2016. In turn, loans granted to the sector increased in 2017, compared with the end of 2016 (0.7 per cent).

The non-performing loans ratio of the manufacture of food products decreased by 0.6 p.p. from the end of 2016, to stand at 6.0 per cent at the end of 2017 (9.3 per cent in manufacturing and 13.5 per cent in total enterprises) (Chart 12). At the end of 2017, 25.0 per cent of loans granted to the sector's microenterprises were non-performing, in contrast to 5.2 per cent in SMEs and nil in large enterprises.

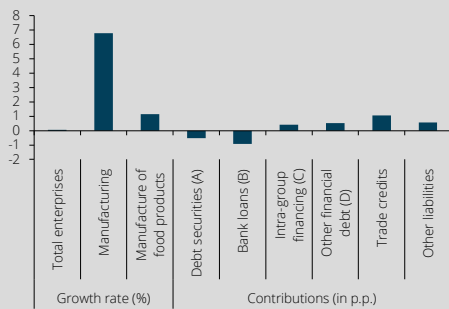
In 2016 trade credits accounted for 31 per cent of the manufacture of food products liabilities (27 per cent in manufacturing and 16 per cent in total enterprises). This type of financing was more relevant to large enterprises in the sector (38 per cent of liabilities). However, the negative differential



between accounts payable and accounts receivable (4 per cent of turnover in 2016) showed that the sector was not receiving net trade credit financing. Similarly to manufacturing and total enterprises, this was also seen among the sector's SMEs and

large enterprises (-6 and -3 per cent in 2016). Microenterprises, in turn, posted a positive differential, which corresponded to 3 per cent of their turnover in 2016.

Chart 9 • Liabilities | Contributions from components (p.p.) to the annual growth rate (%) (2016)



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

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

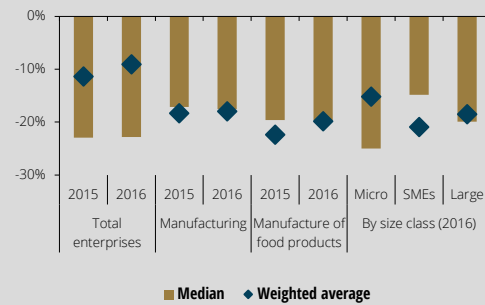


Chart 11 • Weight of interest expenses in EBITDA

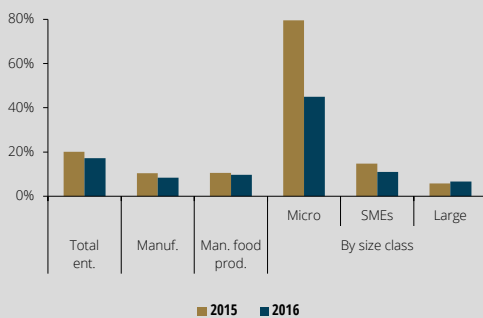
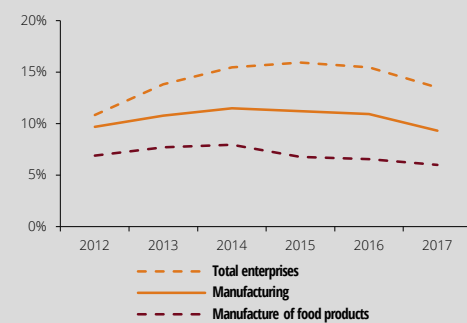


Chart 12 • Non-performing loans ratios (end-of-period figures)



¹ 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 activity and size class, taking into account a wide range of indicators.

² For the purposes of this analysis, the manufacture of food products corresponds to Division 10 the Portuguese Classification of Economic Activities (CAE-Rev. 3), an economic activity sector that is part of manufacturing. The sector comprises enterprises operating in the following groups: CAE 101 (processing and preserving of meat and production of meat products or, in short, 'meat products'), CAE 102 (processing and preserving of fish, crustaceans and molluscs), CAE 103 (processing and preserving of fruit and vegetables or, in short, 'fruit and vegetables'), CAE 104 (manufacture of vegetable and animal oils and fats), CAE 105 (manufacture of dairy products), CAE 106 (manufacture of grain mill products, starches and starch products), CAE 107 (manufacture of bakery and farinaceous products or, in short, 'bakery products'), CAE 108 (manufacture of other food products) and CAE 109 (manufacture of prepared animal feeds).

³ The definition of export sector is presented in more detail in *Central Balance Sheet Study | 22 – Analysis of enterprises in the export sector in Portugal*, June 2015.

Additional information available at:

[Domain: Central Balance Sheet Database statistics in BPstat | 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 \(Portuguese version only\)](#)

[Central Balance Sheet Study No 4 on enterprises in the manufacture of food products](#)

[Statistical press release No 61 | 2016 on the update of Central Balance Sheet Study No 4](#)

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Annex – Main indicators in the pharmaceutical sector

Chart	Series	2012	2013	2014	2015	2016	2017
1 Demographic indicators	Manufacture of food products						
	Birth rate	5.3	6.6	6.1	6.2	5.7	
	Death rate	5.1	4.5	4.9	5.3	6.0	
	Rate of change in the number of enterprises	0.3	2.3	1.3	1.0	-0.3	
	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 economic activity segment	Number of enterprises						
	CAE 101 - meat products	9.6	9.3	9.5	9.5	9.5	
	CAE 105 - manufacture of dairy products	4.8	4.9	5.1	5.2	5.5	
	CAE 107 - bakery products	63.1	63.1	62.5	61.8	60.9	
	CAE 108 - manufacture of other food products	5.9	6.1	6.4	6.6	7.0	
	CAE 109 - manufacture of prepared animal feeds	2.1	2.2	2.1	2.0	2.0	
	Other activities	14.5	14.4	14.5	14.9	15.1	
	Turnover						
	CAE 101 - meat products	18.5	19.0	20.0	19.5	19.7	
	CAE 105 - manufacture of dairy products	12.8	13.1	12.9	11.7	11.2	
	CAE 107 - bakery products	13.0	12.6	12.8	13.1	13.3	
	CAE 108 - manufacture of other food products	12.1	12.4	11.9	11.2	11.6	
	CAE 109 - manufacture of prepared animal feeds	12.6	12.7	12.3	12.0	11.7	
	Other activities	31.0	30.1	30.0	32.6	32.5	
	Number of employees						
	CAE 101 - meat products	18.8	18.8	19.0	19.2	19.4	
	CAE 105 - manufacture of dairy products	7.4	7.4	7.1	6.8	6.7	
	CAE 107 - bakery products	45.1	44.1	43.4	42.9	42.4	
	CAE 108 - manufacture of other food products	8.5	8.7	8.7	8.7	8.9	
	CAE 109 - manufacture of prepared animal feeds	3.8	4.1	4.1	4.0	3.9	
Other activities	16.5	17.0	17.7	18.3	18.7		
3 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 food products	69.1	70.7	71.0	70.6	69.8	
	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 food products	5.0	5.2	4.7	4.5	4.5	
	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 food products	16.0	16.4	16.0	15.6	14.8	
	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 food products	30.2	28.6	28.4	28.7	29.4	
	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 food products	55.8	55.1	59.1	58.0	56.5	
	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 food products	64.4	64.0	64.4	63.7	63.3	
	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 food products	0.7	0.7	0.6	0.7	0.8	
	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 food products	39.1	39.6	36.2	37.5	39.0	
	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 food products	19.6	19.6	19.6	20.7	21.9	
4 Turnover Contributions from the external and internal markets (p.p.) to the annual growth rate (%)	Growth rate of turnover / Manufacture of food products	1.3	1.9	-0.6	2.2	2.4	
	Contribution from the external market	1.7	1.7	-0.2	1.0	1.0	
	Contribution from the internal market	-0.4	0.2	-0.4	1.1	1.5	
	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	

Chart	Series	2012	2013	2014	2015	2016	2017
5 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 food products	41.7	50.1	53.5	56.5	53.4	
	Microenterprises	42.5	48.9	52.8	56.5	51.9	
	Small and medium-sized enterprises	40.1	52.7	54.7	56.5	56.0	
	Large enterprises	42.9	55.0	63.2	48.8	66.0	
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 food products	0.7	3.5	3.7	8.8	5.0	
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 food products	5.0	5.8	5.9	7.2	6.3	
	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 food products	0.2	1.1	1.2	3.0	1.7	
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 food products	36.6	38.7	40.6	41.7	41.8	
	Microenterprises	19.1	18.5	19.4	16.6	18.9	
	Small and medium-sized enterprises	35.1	38.3	39.4	39.2	41.0	
	Large enterprises	44.3	45.5	49.2	51.8	48.9	
	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 food products	23.9	22.2	22.0	22.7	24.4	
	Microenterprises	18.3	14.4	13.8	14.8	16.8	
	Small and medium-sized enterprises	29.6	30.2	30.8	31.4	32.9	
Large enterprises	39.8	41.5	45.5	42.5	37.3		
9 Liabilities Contributions from components (p.p.) 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 food products	2.3	-4.4	-4.0	2.0	1.1	
	Contribution from debt securities	-0.8	-0.7	0.2	0.1	-0.5	
	Contribution from bank loans	0.3	-4.1	-0.8	1.1	-0.9	
	Contribution from intra-group financing	1.2	1.7	-0.1	-2.2	0.4	
	Contribution from other financial debt	-0.3	0.6	-1.1	0.6	0.5	
	Contribution from trade credits	0.2	-0.5	-0.7	2.1	1.1	
	Contribution from other liabilities	1.7	-1.3	-1.6	0.4	0.6	
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 food products	4.0	-6.5	-8.5	-22.4	-19.9	
	Microenterprises	2.6	-15.5	-10.9	-29.2	-15.2	
	Small and medium-sized enterprises	3.9	-12.9	1.0	-20.7	-20.9	
	Large enterprises	4.6	8.7	-23.1	-24.4	-18.6	
	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 food products	-13.3	-24.2	-15.0	-19.6	-19.6	
	Microenterprises	-23.2	-34.8	-23.5	-23.9	-25.0	
	Small and medium-sized enterprises	-0.5	-12.7	-5.9	-16.4	-14.9	
Large enterprises	-5.1	-6.6	-19.9	-25.0	-19.9		
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 food products	23.8	19.1	17.2	10.5	9.6	
	Microenterprises	79.6	64.9	N.A.	79.5	45.0	
	Small and medium-sized enterprises	29.0	21.0	19.3	14.8	11.0	
	Large enterprises	15.5	14.9	11.8	5.7	6.7	
12 Non-performing loans ratios (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 food products	6.9	7.7	8.0	6.8	6.6	6.0

NOTES: The aggregates 'Microenterprises', 'Small and medium-sized enterprises' and 'Large enterprises' refer to components of the manufacture of food products, except where otherwise stated. Similarly, contributions shown 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. Non-calculated indicators are signalled with 'N.A.'.