



Sectoral analysis of the manufacture of textiles and wearing apparel 2012-2016

6 April 2018

Banco de Portugal updates today the [Central Balance Sheet Study | 9 – Sectoral analysis of the manufacture of textiles and wearing apparel](#) with information on the economic and financial situation of enterprises in the manufacture of textiles and wearing apparel^{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 economic activity segment ('textiles' and 'wearing apparel'), and compared with 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 2007-12 period, and updated in 2016, featuring information for the 2010-15 period.

Structure and dynamics

The manufacture of textiles and wearing apparel comprised 6.7 thousand enterprises in 2016. The number of enterprises decreased from 2015.

In 2016 the manufacture of textiles and wearing apparel comprised 6.7 thousand enterprises, which accounted for 2% of the number of enterprises, 2% of turnover and 5% of the number of employees in total enterprises in Portugal.

Furthermore, the sector was responsible for 16% of enterprises, 9% of turnover and 20% of employees in manufacturing.

Compared with 2012, the weight of the manufacture of textiles and wearing apparel in total enterprises and manufacturing increased in terms of turnover (0.3 and 1.4 pp respectively) and remained unchanged taking into account the number of enterprises and employees.

However, the number of active enterprises in the manufacture of textiles and wearing apparel declined by 1.2% between 2015 and 2016 (0.3% reduction in manufacturing and 0.6% increase in total enterprises) (Chart 1). In 2016, 8 new enterprises were created for every 10 enterprises that ceased activity, as opposed to that seen in the previous two years, when the number of new enterprises exceeded that of enterprises that ceased activity.

70% of enterprises were part of the 'wearing apparel' segment. SMEs accounted for the largest share of turnover and employees.

'Wearing apparel' accounted for 70% of enterprises, 51% of turnover and 67% of the number of employees in the sector in 2016 (Chart 2), which virtually remained unchanged over the period under review.

Most enterprises in the manufacture of textiles and wearing apparel were microenterprises (59%). The weight of this size class, however, was below that in manufacturing (70%) and total enterprises (89%). In turn, SMEs accounted for a larger share in this sector than in total enterprises and manufacturing: in 2016, they were responsible for 40% of the number of enterprises, 75% of turnover and 77% of the number of employees in the manufacture of textiles and wearing apparel (Chart 3). By economic activity segment, the weight of SMEs was

Chart 1 • Demographic indicators

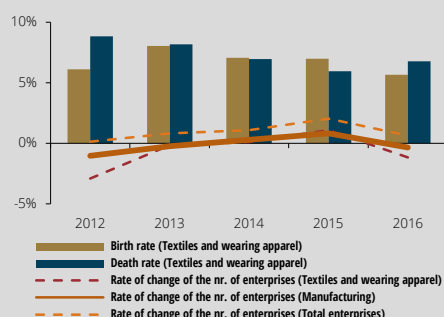
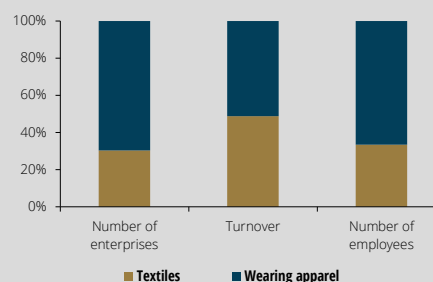


Chart 2 • Structure | By economic activity segment (2016)



approximately 66% in 'textiles' and 82% in 'wearing apparel', for both turnover and the number of employees.

In 2016, 83% of turnover in the manufacture of textiles and wearing apparel was generated by enterprises whose head office was located in the Braga (58%) or Porto (25%) districts. The sector under review played a more important role in Braga, where it was responsible for 20% of turnover of enterprises having their head offices in that district.

Activity and profitability

The sector's turnover grew by 7% in 2016, due to a more substantial contribution from the external market. Exports accounted for 61% of turnover in the sector.

Turnover in the manufacture of textiles and wearing apparel rose by 6.6% in 2016 compared with the previous year, which corresponded to an increase higher than that seen in 2015 (5.1%) and the most substantial increase over the period under review. Between 2012 and 2016, the manufacture of textiles and wearing apparel posted changes in turnover that exceeded those in manufacturing and total enterprises (0.8% and 2.1% increases in 2016 respectively).

Turnover growth in 2016 was broadly based across economic activity segments (8% in 'wearing apparel' and 5% in 'textiles'). By size class, turnover increased by 9% in SMEs, 2% in microenterprises and 0.5% in large enterprises.

Approximately 61% of turnover in the manufacture of textiles and wearing apparel sector was determined by exports in 2016. The external market continued to boost the sector, making a 5 pp contribution to the increase of its turnover (Chart 4).

In the sector under review, the differential between the export component of turnover and the import component of purchases and SES (supplies and external services) corresponded to 42% of turnover in 2016 (17% in manufacturing and 1% in total enterprises). Also in 2016, 19% of enterprises in the manufacture of textiles and wearing apparel were part of the export sector,³ accounting for a share above that in manufacturing and total enterprises (15% and 6% respectively). The export sector was responsible for 75% of turnover and 54% of employees in the manufacture of textiles and wearing apparel.

EBITDA in the manufacture of textiles and wearing apparel increased by 10% in 2016 (2% in manufacturing and 7% in total enterprises). 'Textiles' made a 7 pp contribution to the increase of the sector's EBITDA. By size class, the contribution from SMEs was the most substantial (11 pp). Microenterprises made a negative contribution (2 pp) to changes in the sector's EBITDA.

Between 2015 and 2016, EBITDA increased in 53% of the sector's enterprises. By size class and economic activity segment, the share of enterprises with EBITDA growth was similar to that in the sector as a whole (Chart 5).

Nevertheless, 24% of enterprises in the sector under review posted negative EBITDA in 2016, i.e. below that seen in 2012 (31%) and the ones recorded by manufacturing and total enterprises in 2016 (25% and 32% respectively).

Profitability levels exceeded those in total enterprises in 2016. 'Wearing apparel' recorded the highest profitability.

The return on equity in the manufacture of textiles and wearing apparel amounted to 10% in 2016, close to that seen in manufacturing, but, for the third consecutive year, above that in total enterprises (8%). The profitability levels posted by the sector in 2016 were the highest since 2012 (Chart 6).

'Wearing apparel' had the highest profitability (11%, compared with 9% in 'textiles').

By size class, microenterprises had a negative profitability of 13%. Profitability in SMEs and large enterprises was 11% and 8% respectively.

The operating margin (EBITDA/Revenue) in the manufacture of textiles and wearing apparel stood at 8% in 2016, below that in manufacturing and total enterprises (10% in both cases) (Chart 7). Likewise, the net margin (Net income/Revenue) was lower than in manufacturing and total enterprises (3%, compared with 4% in the last two cases). Nevertheless, the sector's margins saw consecutive increases between 2012 and 2016 (in the period as a whole, 4 pp in the operating margin and 5 pp in the net margin).

Overall, 'textiles' posted higher margins than 'wearing apparel' over the period under review. In 2016 the operating margin in 'textiles' stood at 11% (6% in 'wearing apparel') and the net margin at 4% (2% in 'wearing apparel').

Chart 3 • Structure | By size class (2016)

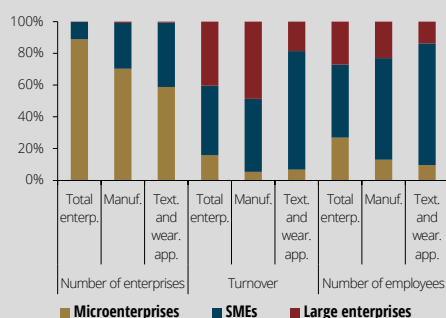
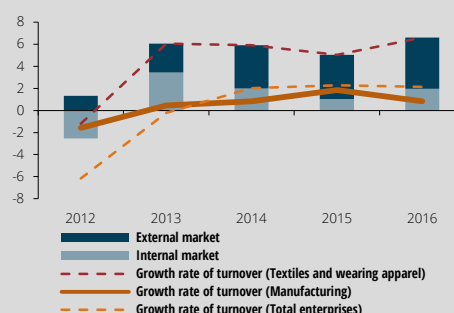


Chart 4 • Turnover | Contributions from the external and internal markets (pp) to the annual growth rate (%)



Financial situation

The capital ratio was higher in 'textiles'. Sector's liabilities increased by 4% in 2016.

In 2016 the capital ratio of the manufacture of textiles and wearing apparel was 38% (40% in manufacturing and 32% in total enterprises) (Chart 8).

Compared with 2012, the capital ratio of the sector under review increased by 7 pp (4 pp in manufacturing and 3 pp in total enterprises), with consecutive positive annual changes every year since then.

However, half of the sector's enterprises had a capital ratio of less than or equal to 28% in 2016.

The sector's average value was influenced by the higher average capital ratio of large enterprises and SMEs (45% and 39% respectively). The lower average capital ratio of microenterprises (6%) was due to the substantial concentration of negative equity in a number of the sector's microenterprises.

By economic activity segment, 'textiles' had the highest capital ratio (42%, compared with 31% in 'wearing apparel').

Liabilities in the manufacture of textiles and wearing apparel increased by 4% between 2015 and 2016 (Chart 9). All liabilities components posted positive changes, most notably due to contributions from other financial debt (1.5 pp) and trade credits (1.2 pp).

Interest-bearing debt accounted for 47% of the sector's liabilities in 2016, i.e. less than in manufacturing and total enterprises (51% and 57% respectively). Bank loans were responsible for 30% of liabilities in the sector. Interest-bearing debt was more substantial in 'textiles' (55% of liabilities in this segment) than in 'wearing apparel' (37% of the segment's liabilities).

The reduction in interest expenses and the increase in EBITDA led to a decline in financial pressure.

Interest expenses in the sector under review fell by 14% in 2016, i.e. less than in manufacturing (18%), but more than in total enterprises (9%) (Chart 10).

The decline in interest expenses was broadly based across size classes and economic activity segments, although more significant in large enterprises (20%). For microenterprises, interest expenses decreased, on average, by 12%. Interest expenses also declined, by 15% and 12% respectively in 'textiles' and 'wearing apparel'.

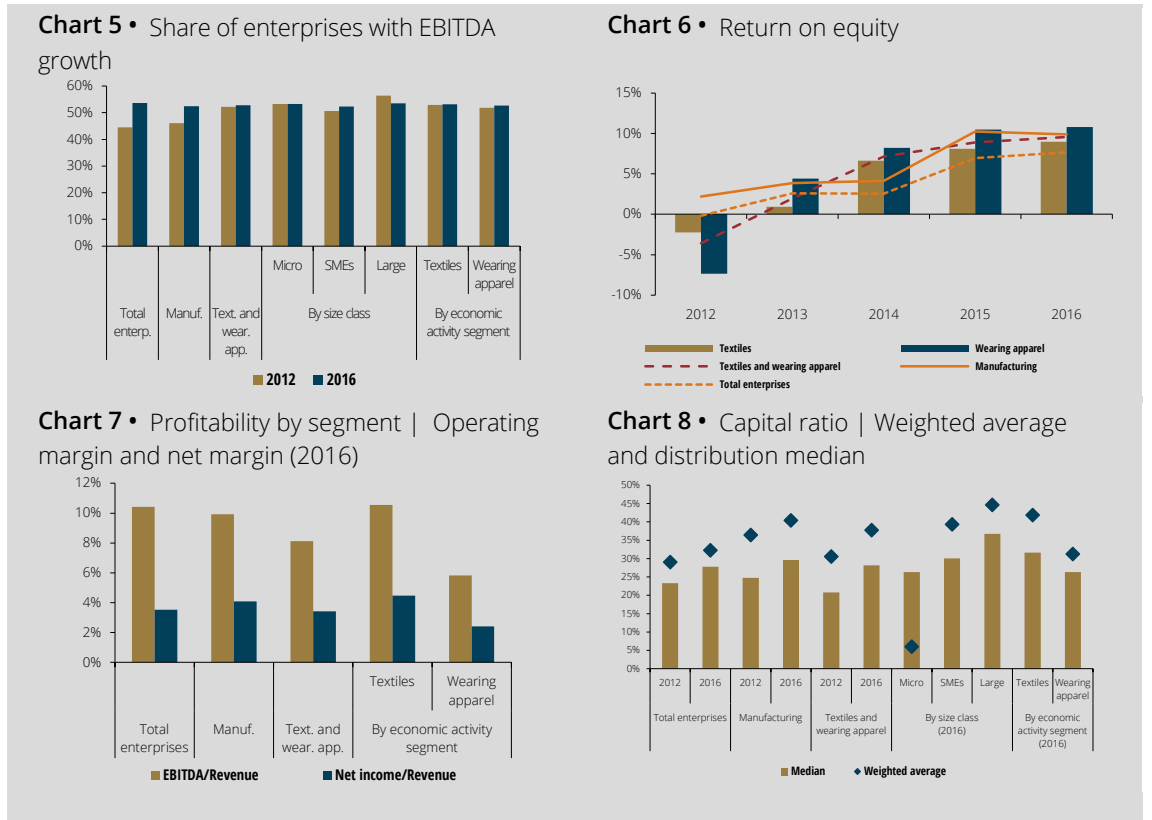
Together with an increase in EBITDA, the reduction in interest expenses led to a decline in financial pressure (3 pp from the previous year). Interest expenses consumed 11% of EBITDA generated by the sector in 2016 (Chart 11). This share was higher than that in manufacturing (8%), but lower than in total enterprises (17%).

The decrease in financial pressure was common to both economic activity segments. In 2016 interest expenses consumed 12% of EBITDA in 'textiles' and 10% of EBITDA in 'wearing apparel'.

By size class, microenterprises were the sole size class to post an increase in financial pressure (4 pp), due to the fact that EBITDA declined more significantly than interest expenses. Financial pressure was higher in microenterprises and large enterprises (17% and 15% respectively; 10% in SMEs).

Bank loans granted to the sector increased in 2017.

According to information from Banco de Portugal's Central Credit Register, loans granted by the resident financial sector to the manufacture of textiles and wearing apparel decreased by 2.5% between the end of



2015 and the end of 2016. Between the end of 2016 and the end of 2017, loans granted to the sector increased by 1.1%.

At the end of 2017, 11.6% of loans granted to the manufacture of textiles and wearing apparel were non-performing (9.3% in manufacturing and 13.5% in total enterprises), 1.5 pp less than at the end of 2016.

The decrease in the percentage of non-performing loans resulted from the reduction in the non-performing loans ratio of 'textiles' (2.9 pp, to 9.6% at the end of 2017), whose ratios were consistently lower over the period under review (Chart 12).

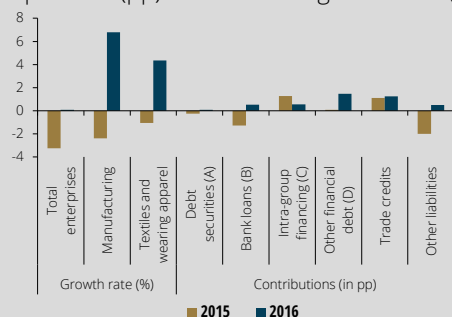
In 'wearing apparel', at the end of 2017 the share of non-performing loans corresponded to 14.6% of credit granted, i.e. 0.7 pp more than at the end of 2016.

In 2016 trade credits accounted for 28% of liabilities in the manufacture of textiles and wearing apparel (27% in manufacturing and 16% in total enterprises).

Trade credits accounted for a larger share in 'wearing apparel' than in 'textiles' (33% and 25% of liabilities respectively).

The negative differential between accounts payable and accounts receivable (corresponding to 6% of its turnover in 2016) showed that the sector was not receiving trade credit financing. Similarly to manufacturing and total enterprises, this was seen over the entire period under review and was broadly based across size classes and economic activity segments. Microenterprises and 'textiles' posted the most negative differentials in 2016 (-9% of turnover in both cases).

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



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

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

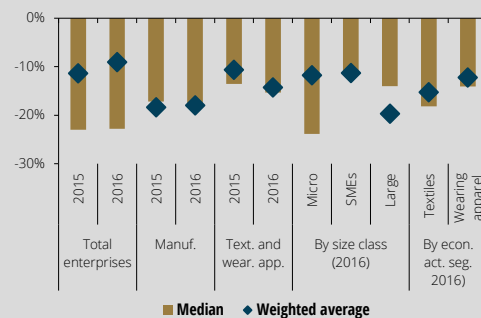


Chart 11 • Weight of interest expenses in EBITDA

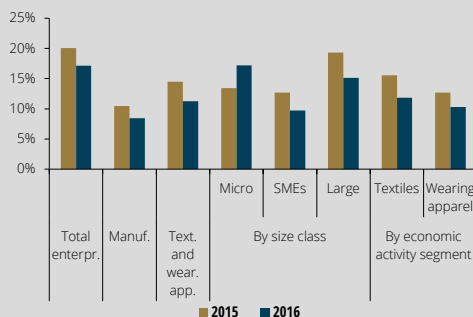
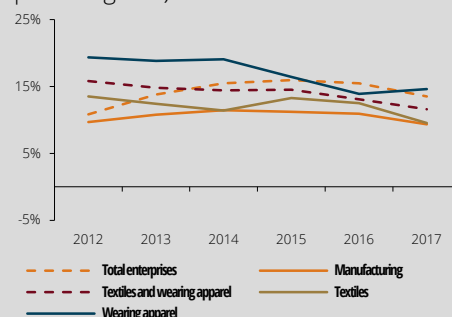


Chart 12 • Non-performing loans ratios (end-of-period figures)



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 textiles and wearing apparel comprises Divisions 13 (manufacture of textiles) and 14 (manufacture of wearing apparel) of the Portuguese Classification of Economic Activities (CAE-Rev. 3), which are part of manufacturing.

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 9 on enterprises in the manufacture of textiles and wearing apparel](#)

[Statistical press release No 62 | 2016 on the update of Central Balance Sheet Study No 9](#)

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Annex – Main indicators for the manufacture of textiles and wearing apparel

Chart	Series	2012	2013	2014	2015	2016	2017	
1 Demographic indicators	Manufacture of textiles and wearing apparel							
	Birth rate	6.1	8.1	7.1	7.0	5.7		
	Death rate	8.8	8.2	7.0	6.0	6.8		
	Rate of change in the number of enterprises	-2.9	-0.1	0.1	1.1	-1.2		
	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	Textiles							
	Number of enterprises	30.9	30.6	30.1	30.3	30.4		
	Turnover	50.0	49.9	49.2	49.5	48.8		
	Number of employees	33.0	32.8	32.9	32.7	33.5		
	Wearing apparel							
	Number of enterprises	69.1	69.4	69.9	69.7	69.6		
	Turnover	50.0	50.1	50.8	50.5	51.2		
	Number of employees	67.0	67.2	67.1	67.3	66.5		
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 textiles and wearing apparel	60.1	60.8	60.1	59.6	58.9		
	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 textiles and wearing apparel	7.8	7.9	7.6	7.0	6.7		
	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 textiles and wearing apparel	9.9	10.0	9.9	9.8	9.6		
	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 textiles and wearing apparel	39.3	38.6	39.3	39.7	40.5		
	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 textiles and wearing apparel	73.6	73.6	73.0	73.3	74.7		
	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 textiles and wearing apparel	76.9	76.6	76.4	76.8	76.7		
	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 textiles and wearing apparel	0.6	0.6	0.6	0.6	0.6		
	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 textiles and wearing apparel	18.6	18.5	19.4	19.6	18.6		
	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 textiles and wearing apparel	13.2	13.4	13.7	13.5	13.7		
	4 Turnover Contributions from the external and internal markets (pp) to the annual growth rate (%)	Growth rate of turnover / Manufacture of textiles and wearing apparel	-1.2	6.1	5.9	5.1	6.6	
		Contribution from the external market	1.3	2.6	3.9	4.0	4.7	
		Contribution from the internal market	-2.5	3.4	2.0	1.0	2.0	
		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	
	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 textiles and wearing apparel	52.2	60.4	55.6	53.2	52.8	
		Microenterprises	53.3	59.8	55.9	52.6	53.2	
		Small and medium-sized enterprises	50.6	61.3	55.0	53.8	52.3	
		Large enterprises	56.4	57.9	70.0	62.5	53.5	
		Textiles	52.9	62.6	56.9	54.9	53.1	
Wearing apparel	51.8	59.4	55.0	52.4	52.7			
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 textiles and wearing apparel	-3.6	1.9	7.1	8.9	9.6		
	Textiles	-2.3	0.9	6.6	8.1	9.0		
	Wearing apparel	-7.3	4.4	8.2	10.5	10.8		

Chart	Series	2012	2013	2014	2015	2016	2017
7 Profitability by segment 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 textiles and wearing apparel	4.2	5.7	7.3	7.8	8.1	
	Textiles	5.6	6.8	9.4	9.9	10.6	
	Wearing apparel	2.6	4.5	5.3	5.8	5.8	
	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 textiles and wearing apparel	-1.2	0.6	2.3	3.0	3.4	
	Textiles	-1.0	0.4	2.9	3.8	4.5	
Wearing apparel	-1.3	0.8	1.6	2.3	2.4		
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 textiles and wearing apparel	30.5	32.8	33.3	36.4	37.7	
	Microenterprises	-5.6	-4.4	-0.4	3.1	6.0	
	Small and medium-sized enterprises	32.4	34.6	36.7	38.1	39.3	
	Large enterprises	41.4	43.9	38.3	44.1	44.6	
	Textiles	35.6	37.5	36.9	40.1	41.8	
	Wearing apparel	21.9	25.1	27.5	30.5	31.2	
	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 textiles and wearing apparel	20.8	22.4	24.4	26.9	28.2	
	Microenterprises	17.1	19.1	20.9	24.7	26.3	
	Small and medium-sized enterprises	24.1	25.6	27.4	29.1	30.1	
	Large enterprises	40.3	38.0	37.0	39.7	36.7	
	Textiles	24.0	25.7	28.6	30.3	31.6	
	Wearing apparel	18.9	21.0	22.3	25.2	26.3	
	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 textiles and wearing apparel		-3.8	-3.6	2.2	-1.1	4.3	
Contribution from debt securities		-0.7	-0.9	1.1	-0.2	0.1	
Contribution from bank loans		-1.8	1.6	0.9	-1.3	0.5	
Contribution from intra-group financing		1.3	-2.8	0.4	1.3	0.6	
Contribution from other financial debt		-1.8	-0.8	0.4	0.1	1.5	
Contribution from trade credits		1.0	0.7	-1.0	1.1	1.2	
Contribution from other liabilities		-1.8	-1.4	0.2	-2.0	0.5	
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 textiles and wearing apparel	4.6	-12.9	-4.6	-10.6	-14.3	
	Microenterprises	-43.7	-38.1	-3.5	-4.1	-11.8	
	Small and medium-sized enterprises	4.4	-3.6	-7.1	-12.7	-11.3	
	Large enterprises	21.7	-23.2	0.1	-7.7	-19.7	
	Textiles	5.8	-13.8	-6.9	-10.6	-15.3	
	Wearing apparel	1.9	-10.9	0.7	-10.7	-12.2	
	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 textiles and wearing apparel	-15.0	-20.2	-9.0	-13.5	-15.4	
	Microenterprises	-31.8	-38.6	-24.4	-20.5	-23.9	
	Small and medium-sized enterprises	-4.4	-10.6	-1.1	-10.0	-11.3	
	Large enterprises	10.4	-7.9	-9.5	-16.2	-14.0	
	Textiles	-11.6	-21.4	-9.8	-17.2	-18.2	
Wearing apparel	-17.9	-19.2	-8.4	-11.1	-14.1		
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 textiles and wearing apparel	43.3	26.2	18.1	14.5	11.3	
	Microenterprises	N.A.	30.1	18.9	13.4	17.2	
	Small and medium-sized enterprises	30.6	22.3	15.8	12.7	9.7	
	Large enterprises	83.1	38.4	24.5	19.3	15.1	
	Textiles	43.9	29.6	19.2	15.5	11.8	
	Wearing apparel	42.1	20.8	16.3	12.7	10.3	
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 textiles and wearing apparel	15.8	14.8	14.4	14.5	13.1	11.6
	Textiles	13.5	12.4	11.4	13.3	12.5	9.6
	Wearing apparel	19.3	18.8	19.1	16.4	13.9	14.6

NOTES: The aggregates 'Microenterprises', 'Small and medium-sized enterprises', 'Large enterprises', 'Textiles' and 'Wearing apparel' refer to components of the manufacture of textiles and wearing apparel, 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 (pp). Shaded cells are not represented in the charts. Non-calculated indicators are signalled with 'N.A'.