



### **New statistics on non-financial corporations from the Central Balance Sheet Database**

Starting from the October 2013 issue of its Statistical Bulletin (Section A.19 and Chapter G), Banco de Portugal will disseminate new statistics on non-financial corporations from the Central Balance Sheet Database – except for those under Section A of NACE Rev.2 (agriculture, forestry and fishing).<sup>1</sup>

The new statistics reflect developments in the economic and financial situation of non-financial corporations in Portugal, namely in terms of financing, profitability and days accounts receivables and days accounts payables.

The quarterly series starts in 2006 and ends in the second quarter of 2013, combining different points of analysis, namely concerning the capital-holding sector, economic activity sector and size.

The dissemination of new statistics has been made possible due to the fact that for a relatively long period of time relevant information has been available for the reference population in Portugal, which since 2007 has been provided by the wide encompassing Simplified Corporate Information (IES – *Informação Empresarial Simplificada*) and, more recently, an adequate methodology to select corporations in the Quarterly Survey to Non-Financial Corporations (ITENF – *Inquérito Trimestral às Empresas Não Financeiras*).

The new statistics on non-financial corporations are produced using a new methodology: based on information collected from a set of corporations, results for the non-financial corporations sector in Portugal are inferred. As such, annual data incorporate an estimated share of “non-response” to the IES, and quarterly data include an extrapolated component on the basis of annual data and responses to the ITENF.

These statistics complement statistical information compiled and disseminated for the non-financial corporations sector from other information systems, e.g. in the scope of monetary and financial statistics, balance of payments and international investment position statistics and financial accounts. Chapter G provides additional information on corporations that serve as reference for the non-financial corporations sector, namely in the context of Chapters A, B, C, F and K of the Statistical Bulletin.

The new statistics are based on accounting aggregates, which may result in methodological differences compared to other results featured in other chapters of the Statistical Bulletin. In most cases, methodological differences are associated with the scope and valuation of items.

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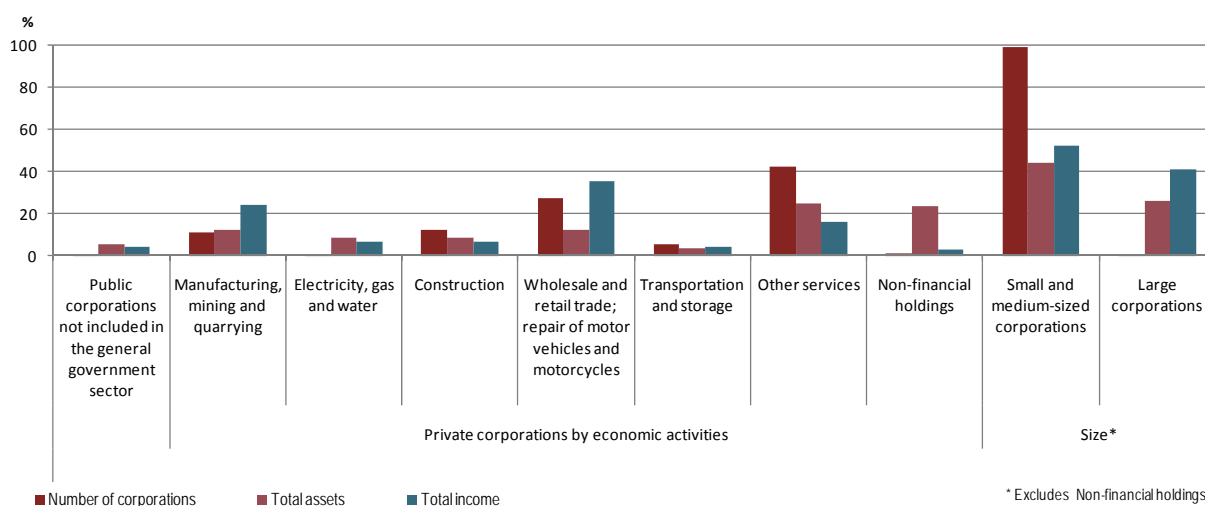
<sup>1</sup> This activity sector is not covered by the underlying quarterly data source.

## Characterisation of non-financial corporations in Portugal

According to Central Balance Sheet data office estimates, there were around 370,000 non-financial corporations in Portugal in 2012,<sup>2</sup> a figure that has not changed significantly over the past few years (Chart 1). The vast majority of these are small or medium-sized corporations. In 2012 private corporations accounted for 94.5% of total assets of non-financial corporations.

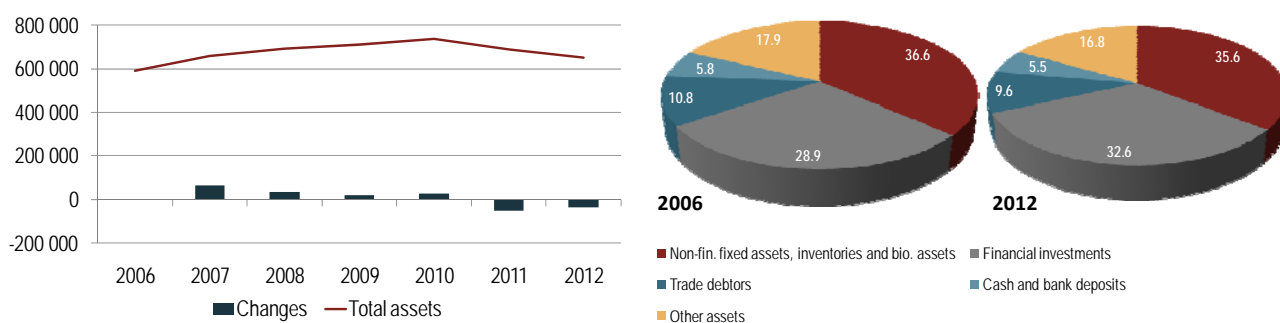
By economic activity sector, “Other services” and “Wholesale and retail trade; repair of motor vehicles and motorcycles” include a substantial share of corporations (157,000 and 102,000 respectively) and are also relevant in terms of both balance sheet (assets) and income statement (income) of total non-financial corporations. “Manufacturing, mining and quarrying” and “Non-financial holdings”, respectively, are also important in terms of income and assets (Chart 1).

Chart 1 – By sector and size of corporations – 2012



In 2012 total assets of non-financial corporations continued to follow the downward path started in 2011, standing at around €650 billion (Chart 2). By component, “Financial investments” and “Non-financial fixed assets, inventories and biological assets” posted the largest shares, each accounting for approximately one third of that value. In relative terms, “Financial investments” grew the most between 2006 and 2012.

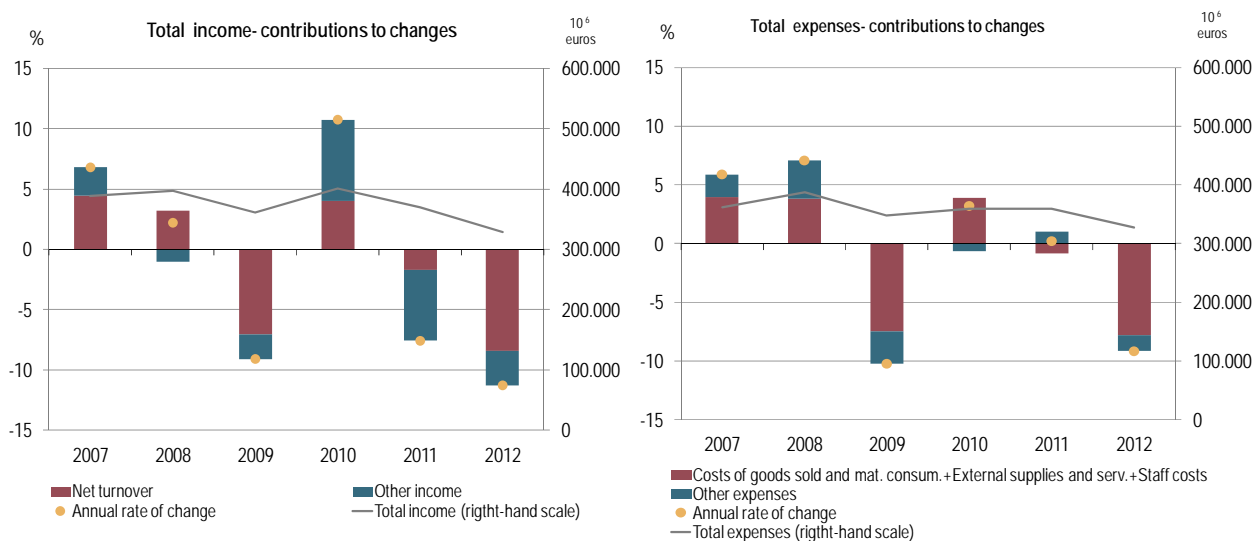
Chart 2 – Total assets (EUR millions) and percentage breakdown



<sup>2</sup> Excludes corporations under Section A of NACE Rev2: Agriculture, forestry and fishing.

Income generated by non-financial corporations has followed a downward path since 2008 (with the exception of 2010), standing at €328 billion in 2012 (Chart 3). The main contribution came from the activity component (net turnover), which also impacted on expenses.

**Chart 3 – Profit and loss account**



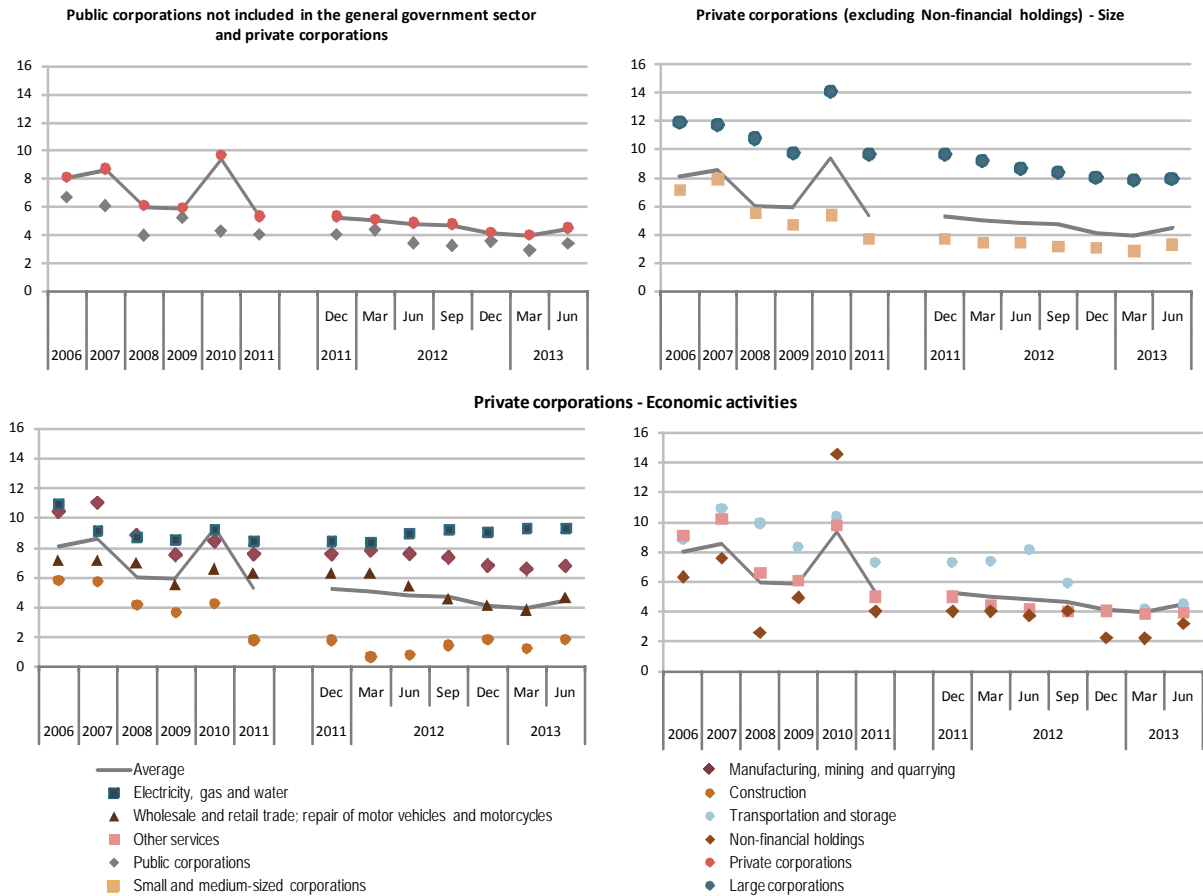
### Return on assets

Profitability indicators tend to somewhat reflect developments in non-financial corporations activity. At the end of 2012 return on assets, on average (Chart 4), was approximately one half of the value at the end of 2006 (4.1% and 8.1% respectively). In the second quarter of 2013 it slightly recovered (to 4.5%) across most sectoral aggregates and size classes.

However, sizeable differences exist between the various groups of corporations: private corporations always post higher return on assets than public corporations, although due to a substantial decrease in 2011 and 2012 this gap has closed somewhat.<sup>3</sup> All economic activities except for “Electricity, gas and water” have contributed to this convergence. Both this sector and “Manufacturing, mining and quarrying” post the highest return. By size classes, large corporations’ profitability is always higher than that of small and medium-sized corporations.

<sup>3</sup> For the purposes of these statistics, only public corporations not included in the General Government sector are considered.

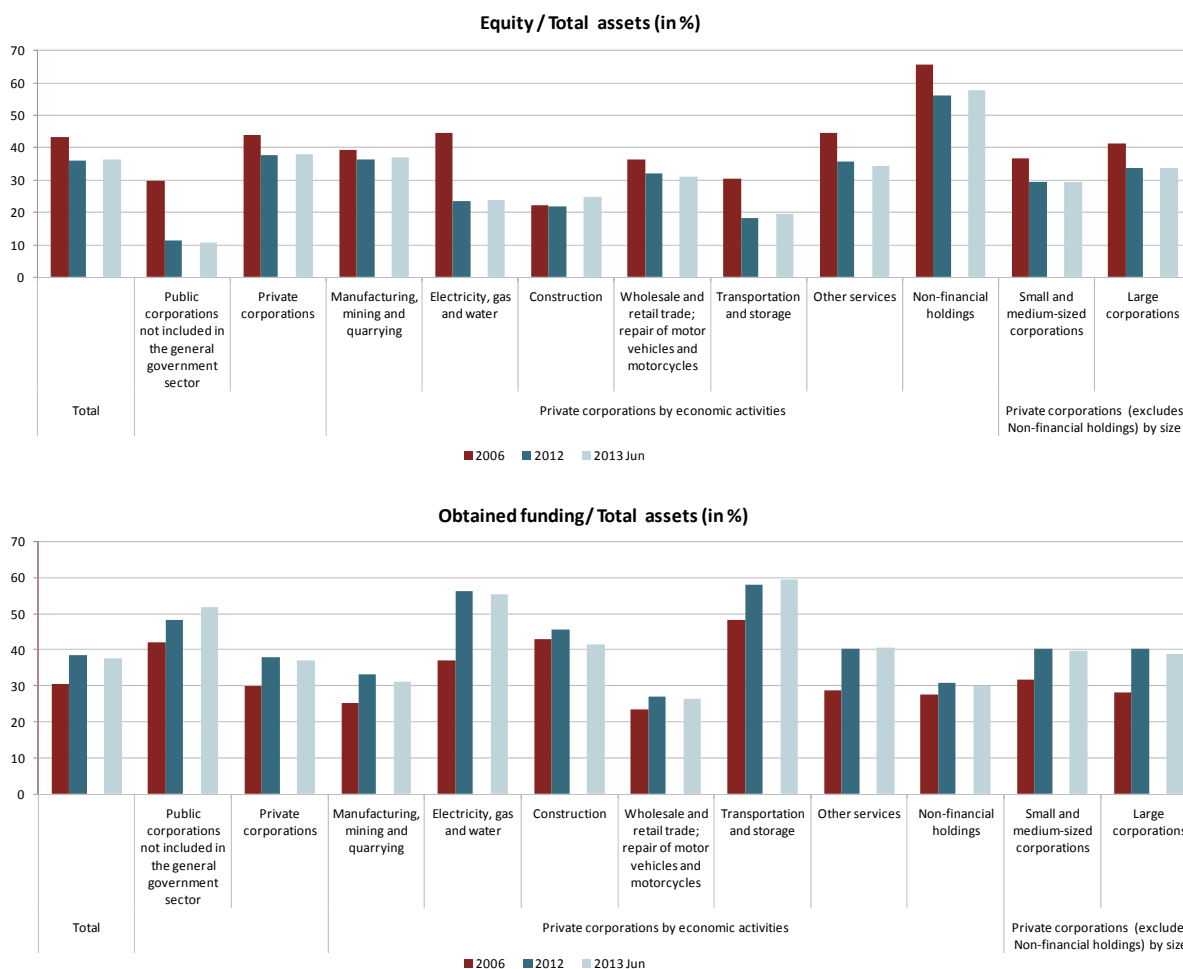
Chart 4 – EBITDA / Total assets (%)



### Structure of funding

Non-financial corporations in Portugal have raised capital mainly via equity and obtained funding. At the end of the first half of 2013, each accounted for nearly 40% of total corporations' financing (Chart 5). Over the past few years, developments in these forms of financing have diverged, with a decline in the weight of equity (43.2% of total assets in 2006) and an increase in that of obtained funding (30.6% of total assets in 2006).

Chart 5 – Structure of funding



Equity (in terms of assets) of public corporations as a whole<sup>4</sup> is well below that of private corporations. Conversely, funding (as a share of assets) obtained by public corporations is higher than that of private corporations.

Within private corporations, “Non-financial holdings” hold the highest shares of equity.

“Construction”, “Transportation and storage” and “Electricity, gas and water” have the lowest equity levels and, at the same time, the highest in terms of obtained funding. In the case of “Transportation and storage” and “Electricity, gas and water”, obtained funding accounted for more than half of total assets over the most recent period.

On average, the weight of equity has declined for small and medium-sized corporations as well as for large corporations. However, the weight of equity in large corporations continues to exceed that of small and medium-sized corporations.

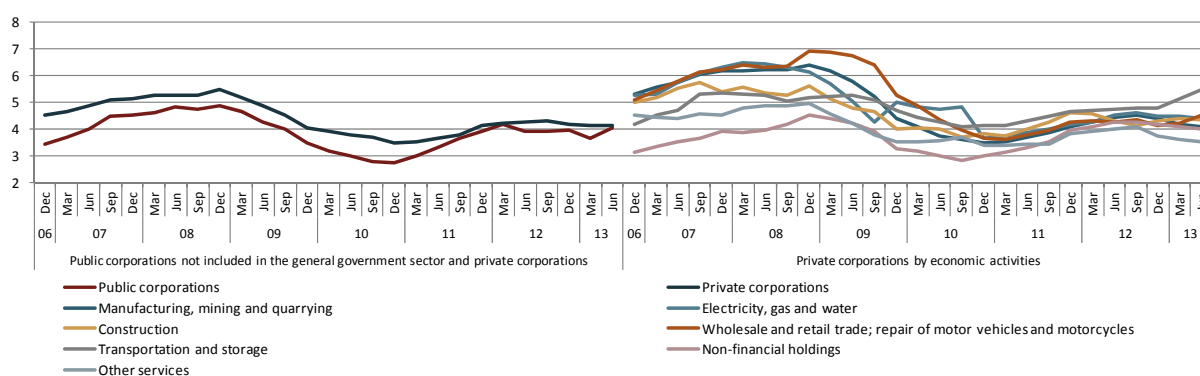
<sup>4</sup> For the purposes of these statistics, only public corporations not included in the General Government sector are considered.

## Cost of obtained funding and financial pressure

Between 2006 and 2012, the cost of obtained funding of non-financial corporations, calculated as the weight of interest expenses in obtained funding, has stood between 5.4% (a peak in 2008) and 3.4% (a minimum in 2010) (Chart 6), while most recently following an upward path.

The cost of obtained funding has converged both between public and private corporations and across economic activity sectors. More recently, however, cost of obtained funding has become higher in the “Transportation and storage” sector and lower for “Other services”.

**Chart 6 – Interest expenses / obtained funding (%)**



Financial pressure on non-financial corporations in Portugal, which may be inferred from the EBITDA / Interest expenses ratio, increased in 2012 from 2006. EBITDA exceeds corporations interest expenses by 2.9 times, i.e. well below 2006 (6.1 times). Over this period, public corporations<sup>5</sup> were under the greatest financial pressure. Turning to private corporations, “Construction” and “Transportation and storage” are under the greatest pressure. In the case of “Construction”, EBITDA did not exceed interest expenses.

## Days accounts payables and days accounts receivables

Between 2006 and 2010 the average number of days accounts payables and days accounts receivables for non-financial corporations in Portugal stood in the 60-80 day range, with the average number of days accounts payables slightly exceeding that of receivables (Chart 7).

The average number of days accounts receivables for public corporations<sup>4</sup> was lower than that for private corporations by around 30 days, while the average number of days accounts payables increased substantially compared to private corporations since 2010.

By economic activity sector, there are significant differences: “Construction” posts the highest average number of days (around 160-180 days); conversely, “Electricity, gas and water” has the lowest average number of days (approximately 40 days). By size classes, large corporations post the lowest average number of days (around 60 days).

<sup>5</sup> For the purposes of these statistics, only public corporations not included in the General Government sector are considered.

Chart 7 – Average number of days

