



## STATISTICAL PRESS RELEASE

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# New economic and financial indicators of the private non-financial corporations 2014

11 February 2016

Banco de Portugal publishes today, for the first time, a set of annual economic and financial indicators on private non-financial corporations in the Statistical Bulletin (Table A.22 of Chapter 'Main indicators'). In *BPstat* | Statistics online, these indicators are broken down by economic activity sector, size class and exporting corporations (Table 1).

The new indicators include profitability, activity, financing and financial structure ratios, as well as information on sources of financing and income

distribution of the private non-financial corporations. Information on loans obtained from resident credit institutions is also made available broken down by (original and residual) maturity. Additionally, a set of risk indicators is also included.

Economic and financial indicators incorporate information from two different data sources, more specifically the Central Balance Sheet Database, obtained from *Informação Empresarial Simplificada* – IES (Simplified Corporate Information), and the Central Credit Register.

**Table 1** • Available breakdowns (*BPstat* | Statistics online)

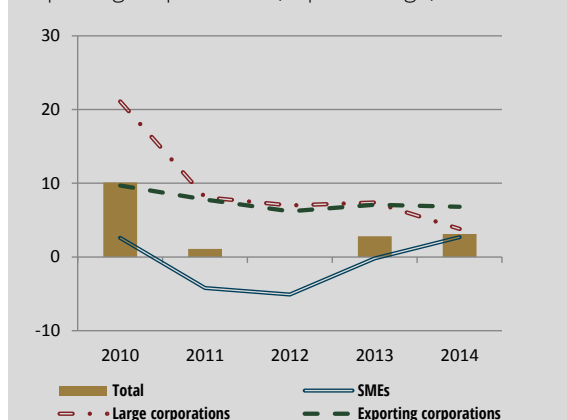
Total	Size class	Economic activity sector (sections of NACE rev. 2)	Additional sectorization
Total of private non-financial corporations (excluding non-financial holdings)	SME	Industry – sections B and C Electricity, gas and water – sections D and E	Exporting corporations
	Micro corporations	Construction – section F Trade sector – section G	
	Small corporations	Transportation – section H Accommodation and food services – section I	
	Medium corporations	Real estate activities - section L Consultancy, technical and admin. activities – sections M and N	
	Large corporations	Other activities – remaining sections	

## Main results

### Profitability

Profitability of private non-financial corporations, analysed on the basis of the return on equity indicator (net income for the year/equity), increased both in 2013 and 2014, after standing close to zero in the previous two years. Nonetheless, in 2014 the profitability for these corporations (3.1%) was below the level seen in 2010, at 10.1% (Chart 1).

**Chart 1** • Return on equity – by size class and exporting corporations (in percentage)

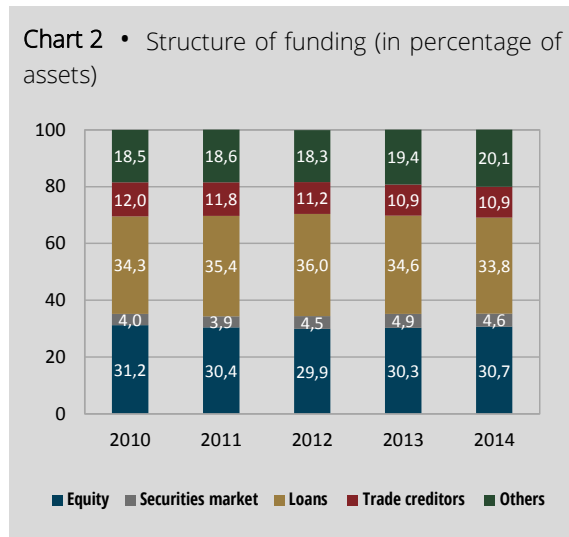


This increase in profitability is chiefly explained by a recovery among small and medium-sized enterprises (SMEs), in contrast to negative profitability levels in 2011 and 2012. Large corporations have systematically exhibited positive profitability levels, always higher than SMEs. Over the past two years, and particularly in 2014, profitability for both size classes has converged. This was due to, on the one hand, the continued increase in SMEs' profitability and, on the other hand, one-off operations in the telecommunications sector, which had a negative impact on the profitability of large corporations.

Exporting corporations had the most stable profitability levels, exceeding those of total private corporations since 2011.

### Sources of funding

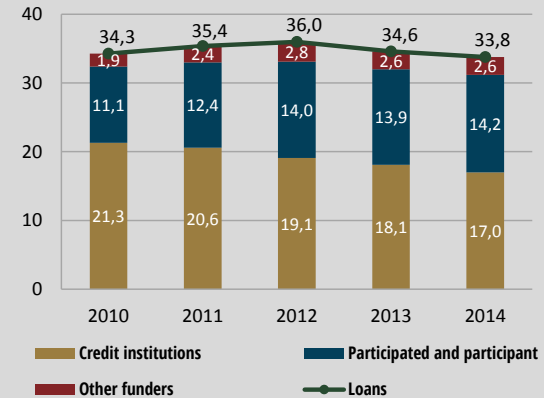
In 2014, 30.7% of assets held by private corporations in Portugal were funded by equity (+0.4 p.p. from 2013) (Chart 2). This shows that the recovery that started in 2013 has proceeded, following the declines in 2011 and 2012. Loans revealed systematically opposite developments to those in equity, accounting for 33.8% of private corporations assets in 2014 (-0.8 p.p. than in 2013). Despite this decline, loans continued to be the main source of financing for corporations in Portugal.



Between 2010 and 2014, the evolution of differed across types of creditor (Chart 3). The ratio of loans obtained from resident and non-resident credit institutions decreased by 4.3 p.p. (to 17% of assets in 2014), while loans granted by participated and participant companies increased by 3.1 p.p. (to 14.2% of assets in 2014). In 2014 approximately

50.3% of loans were granted by credit institutions (62.1% in 2010), while loans from participated and participant companies and other funders nearly reached the share of credit institutions (49.7% in 2014, compared with 37.9% in 2010).

**Chart 3 • Structure of loans (in percentage of assets)**

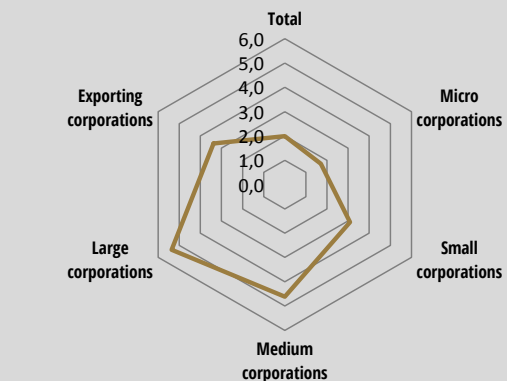


### Loans from resident credit institutions

At the end of 2014, loans obtained from resident credit institutions reached €79.4 billion, of which €10.4 billion had a residual maturity of up to 1 year.

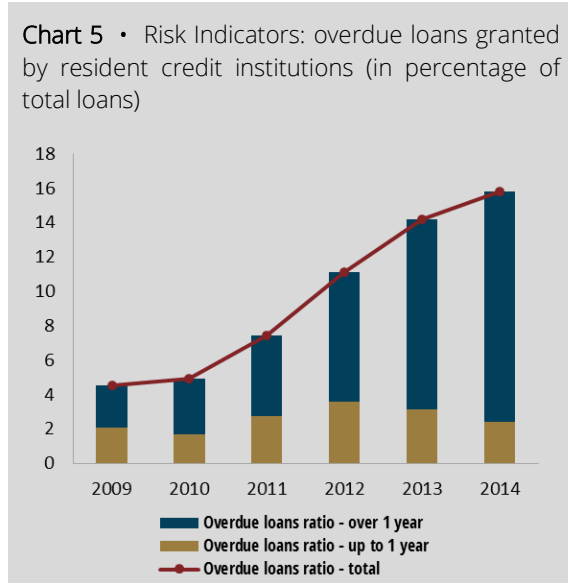
In 2014, private corporations were connected, on average, to two credit institutions for credit purposes, with this indicator remaining relatively stable over time. On average, the number of credit institutions with which corporations were connected to increased in proportion to their size. In 2014, for micro corporations the average number of creditor institutions stood at 1.7, while for large corporations the average was 5.3. Private exporting corporations were associated, on average, with 3.4 credit institutions (Chart 4).

**Chart 4 • Average number of credit institutions per borrower – 2014**

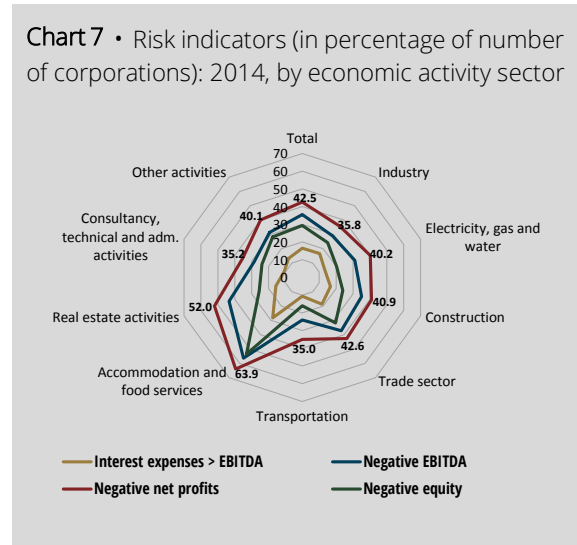


### Risk indicators

The non-performing loans ratio grew more markedly as of 2011, reaching 15.8% in 2014. In that year, approximately 85% of non-performing loans had been overdue for more than one year (63% in 2011).

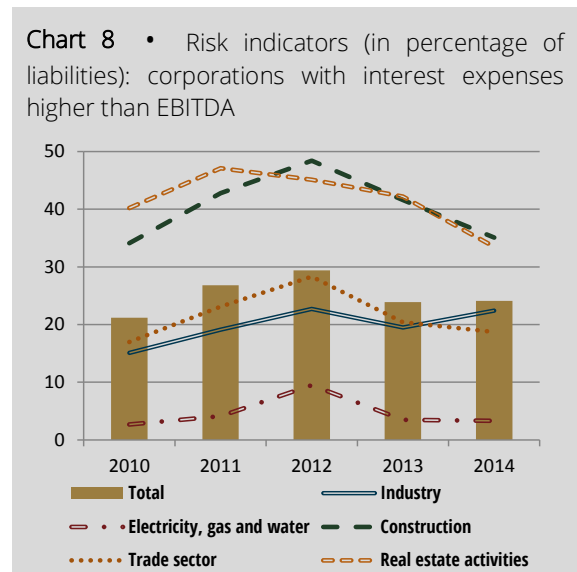
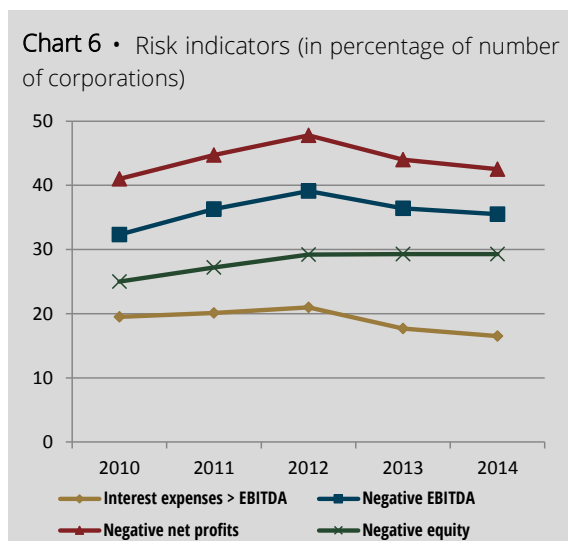


In 2014, the accommodation and food services presented the highest percentages across all indicators, in contrast to the transportation sector, which showed the lowest percentages (Chart 7). More than 50% of private corporations in the accommodation and food services and real estate activities sectors showed negative net profits. More than half of corporations in the accommodation and food services sector had negative equity levels.



In 2014, 42.5% of private corporations registered negative net income, 35.5% had negative EBITDA, 29.3% exhibited negative equity and for 16.5% interest expenses exceeded EBITDA (Chart 6). The share of corporations affected decreased across all risk indicators in 2013 and 2014, after increasing in the previous two years, with the exception of the share of corporations with negative equity, which remained stable.

Liabilities of corporations with interest expenses higher than EBITDA accounted for 24.1% of total private corporations liabilities in 2014, which corresponds to a decrease from a peak of 29.4% in 2012, but an increase from 21.2% in 2010 (Chart 8).



Electricity was the sector where corporations with interest expenses higher than EBITDA accounted for a lower share in liabilities (between 2.7% in 2010 and 9.5% in 2012). Construction and real estate

activities have systematically concentrated the highest figures for this indicator, standing above 45% in 2012 and 35.1% and 33.5% respectively in 2014.

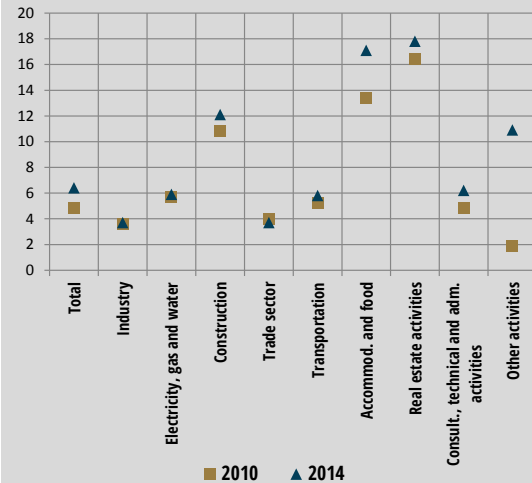
Chart 9 illustrates the ratio on obtained funding/EBITDA by economic activity sector. This ratio is an indicator of corporate financial leverage that may be interpreted as a proxy of the number of years needed for a corporations' EBITDA to cover its funding. For total private corporations, this ratio stood at 6.4 in 2014. However, the sectoral analysis shows very diverse situations, which is also influenced by leverage disparity, typically higher in some economic activity sectors.

While the accommodation and food services and real estate sectors, at a constant EBITDA level, would take more than 16 years to repay their funding, industry and trade would manage to do so in less than four years.

Overall, developments in the ratio on obtained funding/EBITDA ratio were unfavourable between 2010 and 2014, particularly in the accommodation

and food services sector. In the other activities sector, recent developments have been highly influenced by restructuring operations in the telecommunications sector.

**Chart 9** • Obtained funding/EBITDA – by economic activity sector



#### Additional information available at:

[Chapter A.22 of the Statistical Bulletin](#)

Statistical domain of the main indicators in [BPstat|Statistics](#) online

**Next update:** 31 May 2016

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