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Results for non-financial corporations in the Central Balance Sheet Database for 2014 and the 1st half of 2015

The October 2015 issue of Banco de Portugal's Statistical Bulletin includes the results for non-financial corporations in the Central Balance Sheet Database,[1] incorporating Simplified Corporate Information (IES) data for 2014 and the main developments for the year ended in the first half of 2015.

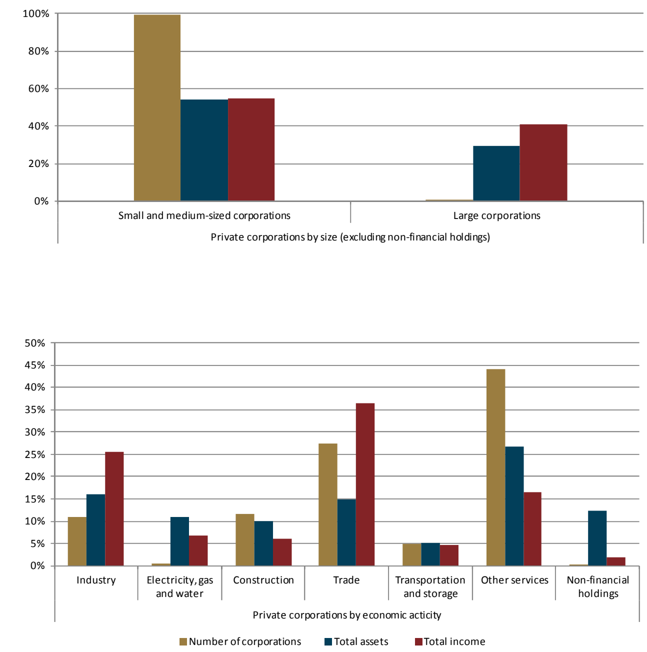
Characterisation of non-financial corporations

According to Central Balance Sheet Database estimates, there were around 370 thousand non-financial corporations in Portugal in 2014.[2] 'Small and medium-sized corporations' accounted for around 99.3% of non-financial corporations, 54.3% of *total assets* and 54.9% of *total income* (Chart 1).

'Other services' accounts for approximately 44.6% of total non-financial corporations, with a share of 26.6% in *total assets.* This aggregate includes, among other activities, accommodation and food service activities, information and communication, and technical, administrative and support services. In turn, 'trade' was the sector with the highest share in *total income* (36.5%), although it only corresponds to 14.9% of *total assets* and 27.6% of total non-financial corporations (Chart 1).

Chart 1

Breakdown by size and sector in 2014



Balance-sheet structure

The total balance sheet of non-financial corporations in Portugal declined by approximately EUR 17.6 billion in 2014 from the previous year, accounting for a negative change of 3.2%. This decrease was largely due to the restructuring process in the telecommunications sector as of 2014.

As regards *assets*, there was a marked reduction in *financial investments,* which was partly offset by increases in *cash and bank deposits* and *other assets*.

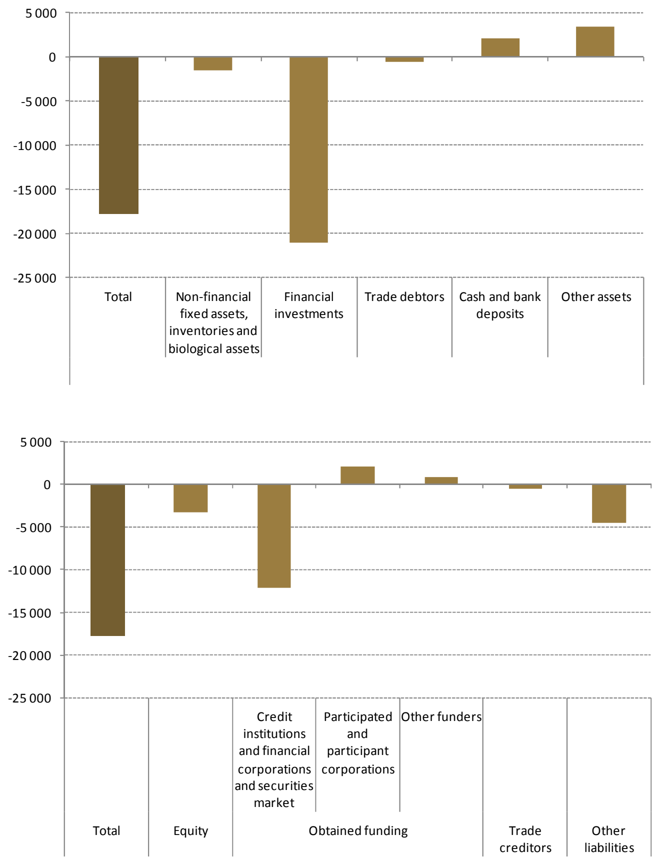
[1] Underlying the Central Balance Sheet Database statistics is a compilation methodology based on a sample that aims to reflect the results for all the non-financial corporations in Portugal. For further information on the compilation methodology used for this information, see Supplement 2/2013 of the Statistical Bulletin of October 2013, available at http://www.bportugal.pt/en-US/Estatisticas/PublicacoesEstatisticas/BolEstatistico/BEAnteriores/Lists/LinksLitsItemFolder/Attachments/157/BEOut13_en.pdf

[2] Excluding corporations in section A of NACE Rev. 2: Agriculture, forestry and fishing.

Turning to *equity and liabilities*, there was a decrease in *obtained funding* and *other liabilities* (Chart 2).

Chart 2

Breakdown of changes in the balance sheet in 2014, by instrument – EUR millions



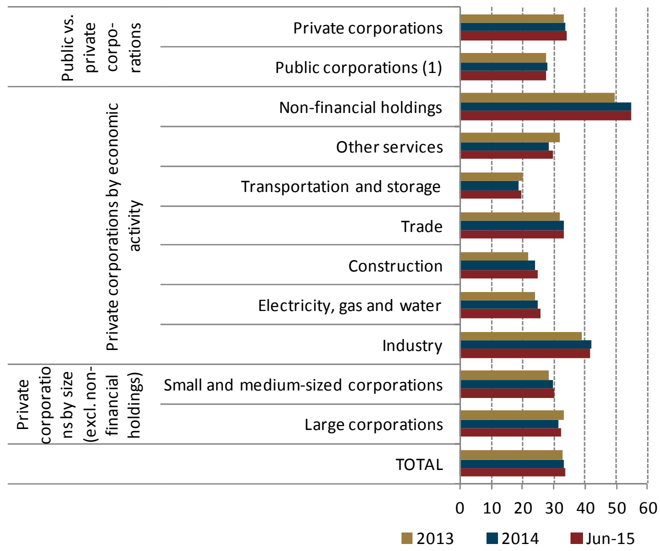
The capital ratio (*equity / total assets*) of non-financial corporations in Portugal increased from 32.8% in 2013 to 33.3% in 2014.

The upturn in the capital ratio was broadly based across economic activities, with the exception of 'transportation and storage' and 'other services'. 'Small and medium-sized corporations' recorded a capital ratio of 29.7%, that is, 1.4 p.p. more than in 2013. In turn, the capital ratio of 'large corporations' decreased by 1.8 p.p. in 2014 from the previous year, to 31.6%.

In the first half of 2015, the capital ratio of non-financial corporations increased further, standing at 33.7%. In this period, the capital ratio of 'industry' decreased somewhat while that of 'non-financial holdings' and 'trade' remained unchanged, with increases in other economic activities (Chart 3).

Chart 3

Equity / total assets – as a percentage



(1) Public corporations not included in general government

Gross return on investment

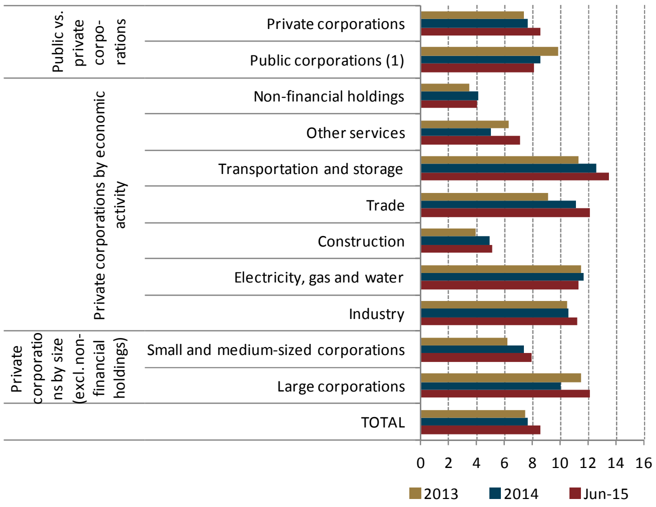
In 2014 gross return on investment (*EBITDA*[3] / *capital invested*[4]) of non-financial corporations increased slightly, by 0.2 p.p., from the previous year, reaching 7.7% (Chart 4).

Information available for the first half of 2015 points to a 0.9 p.p. increase in gross return on investment, to 8.6%. This increase from end-2014 was broadly based across sectors, except for 'electricity, gas and water' and 'non-financial holdings'. The most marked increase was in 'other services', partly stemming from a restructuring process in the telecommunications sector in 2014.

[3] EBITDA stands for earnings before interest, taxes, depreciation and amortisation.
[4] Capital invested is the sum of equity and obtained funding.

Chart 4

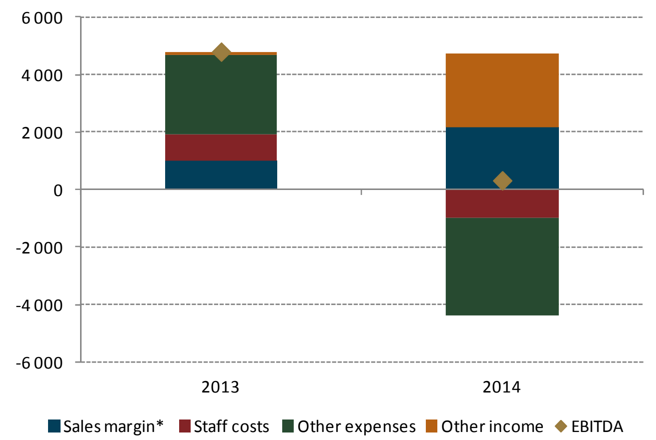
EBITDA / capital invested – as a percentage



Changes in gross return on capital invested in 2014 stemmed from a slight increase in *EBITDA* and a decline in *obtained funding*. Despite a rise in the *sales margin* and *other income*, the increase in *staff costs* and *other expenses* resulted in muted *EBITDA* growth (Chart 5).

Chart 5

Breakdown of changes in EBITDA in 2013 and 2014, by instrument – EUR millions



* Sales margin = *Turnover – costs of goods sold and material consumed – external supplies and services*

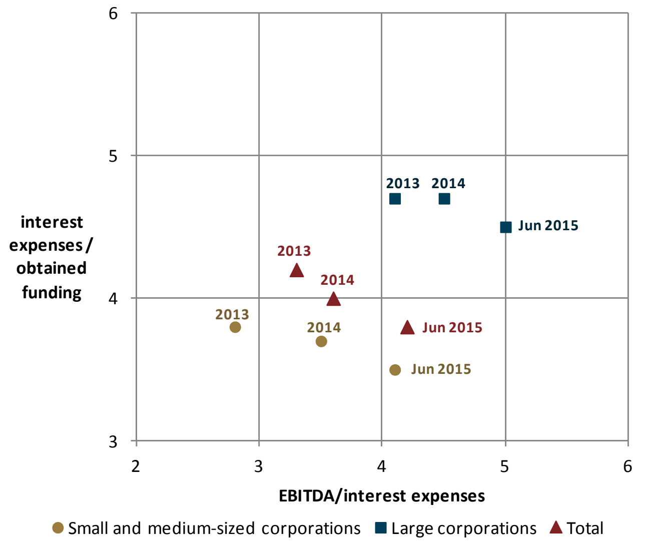
Cost of debt and financial pressure

The cost of debt (*interest expenses / obtained funding*) declined in 2014 to 4.0%, compared with 4.2% in the previous year. For 'small and medium-sized corporations' the cost of debt went from 3.8% in 2013 to 3.7% in 2014, before declining further, to 3.5%, in the first half of 2015. 'Large corporations' saw a similar trend in 2015, with a fall in this indicator to 4.5%, after remaining unchanged between 2013 and 2014 (4.7%) (Chart 6).

In 2014 financial pressure[5] also declined from 2013, mainly due to a decrease in *interest expenses*, with the ratio of *EBITDA* to *interest expenses* moving from 3.3 to 3.6. There was a decline in 'small and medium-sized corporations', with the ratio moving from 2.8 in 2013 to 3.5 in 2014. Such developments were more marked in the first half of 2015, when this indicator reached 4.1.

Chart 6

Interest expenses / obtained funding (per cent) and EBITDA / interest expenses ratio



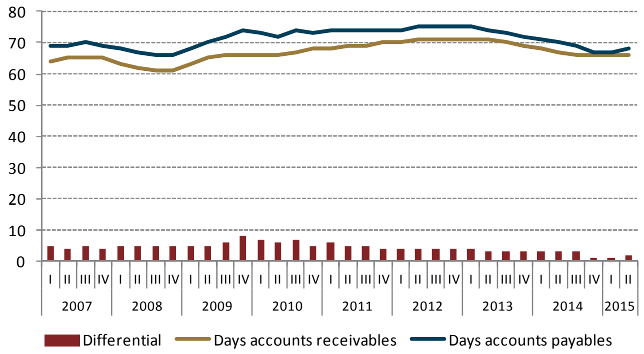
Days accounts payables and days accounts receivables

In 2014 *days accounts payables* and *days accounts receivables* decreased by 5 and 3 days respectively, standing at 67 and 66 days respectively at the end of the year. In the first quarter of 2015 the differential between days accounts payables and days accounts receivables remained unchanged, followed by a slight increase in the second quarter of the year (Chart 7).

[5] Percentage of EBITDA absorbed by interest expenses, the reverse of the *EBITDA/interest expenses* ratio. An increase (decrease) in the *EBITDA/interest expenses* ratio, i.e. a shift to the right (left) in the chart, means a decrease (increase) in financial pressure.

Chart 7

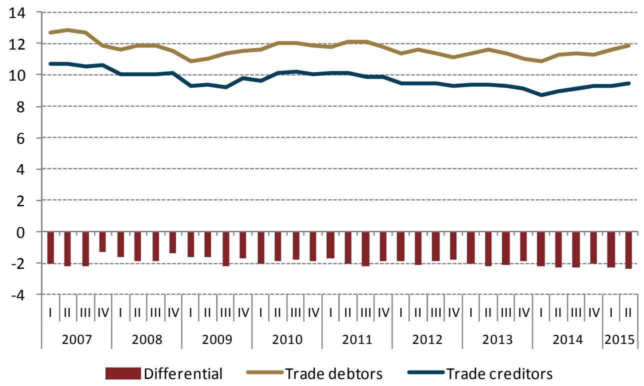
Days accounts payables and days accounts receivables (number of days)



Net financing by trade creditors[6] as a percentage of *total assets* remained relatively stable in 2014 and 2015, at around -2%. However, over this period, the share of trade debtors and trade creditors in total assets increased somewhat (Chart 8).

Chart 8

Share of trade creditors and trade debtors in total assets - as a percentage



[6] Corresponds to the differential between the *trade creditors* balance and the *trade debtors* balance.