

# STATISTICAL PRESS RELEASE



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## Results for non-financial corporations in the Central Balance Sheet Database for 2013 and the 1<sup>st</sup> half of 2014

Banco de Portugal's Statistical Bulletin of October 2014 discloses the results for non-financial corporations in the Central Balance Sheet Database,<sup>1</sup> incorporating data from Simplified Corporate Information (IES) for 2013 and the main developments identified for the year ended in the second quarter of 2014. Changes associated with the new European System of National and Regional Accounts (ESA 2010)<sup>2</sup> are also introduced, resulting in a change in the reference population of the non-financial corporate sector, the impact of which is also described.

### Characterisation of non-financial corporations

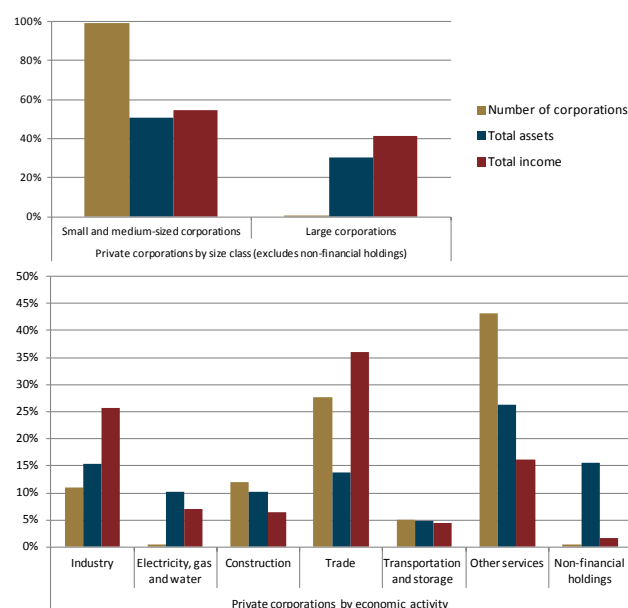
According to Central Balance Sheet Database estimates, there were around 370 thousand non-financial corporations in Portugal in 2013.<sup>3</sup> This number did not change significantly over the past few years. "Small and medium-sized corporations" accounted for around 99.2% of non-financial corpora-

tions, 50.6% of *total assets* of non-financial corporations and 54.5% of *total income*<sup>4</sup> (Chart 1).

Around 160 thousand corporations, with a share of 26.2% in *total assets* of non-financial corporations, were included in the aggregate "other services", which includes, among others, accommodation and food service activities, information and communication and professional, scientific, technical and administrative activities. "Trade" was the sector with the highest share in *total income* (36%) (Chart 1).

Chart 1

Breakdown by sector and size in 2013



<sup>1</sup> The Central Balance Sheet Database statistics use an underlying compilation methodology that aims to reflect the results for all the non-financial corporations in Portugal, based on a sample. 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/Tumbnails%20List%20Template/Suplemento-2-2013-en.pdf>.

<sup>2</sup> Further information on these changes may be found at <http://www.bportugal.pt/en-US/Estatisticas/MetodologiasE NomenclaturasEstatisticas/AlteracoesMetodologicasSEC2010BPM6/Pages/AlteracoesMetodologicasSEC2010BPM6.aspx> and the Statistical Press Release No 11 | 2014.

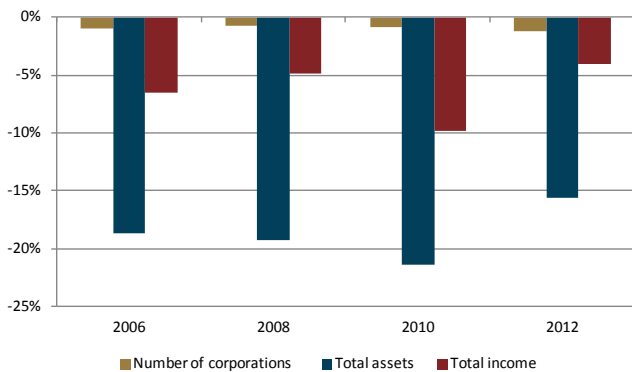
<sup>3</sup> Excluding corporations in section A of NACE Rev. 2: Agriculture, forestry and fishing.

<sup>4</sup> Income generated by corporations, consisting of turnover and other operating and financial income.

The implementation of ESA 2010 significantly altered the population of non-financial corporations, resulting in a contraction of around 1% in the *number of corporations*. This change had a greater impact on economic variables and was particularly marked in *total assets* (Chart 2).

**Chart 2**

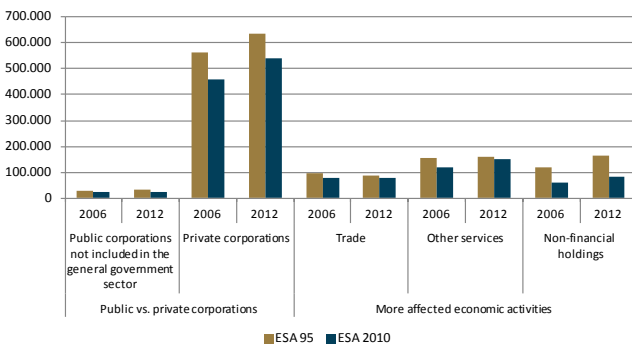
Impact of the change in the non-financial corporate sector: *number of corporations, total assets and total income* – relative difference as a percentage



The redefinition of the population of non-financial corporations had a particularly relevant impact on the aggregates “public corporations” and “non-financial holdings”, “trade” and “other services” (Chart 3). In private corporations, the impact of the reclassification on “trade” and “other services” was more significant until 2010, when corporations with their head office in the Madeira Free Trade Zone started to relocate. Following the implementation of ESA 2010, a significant share of these corporations was reclassified in the financial sector.

**Chart 3**

Change in the non-financial corporate sector - *total assets by sector, EUR millions*



## Balance-sheet structure

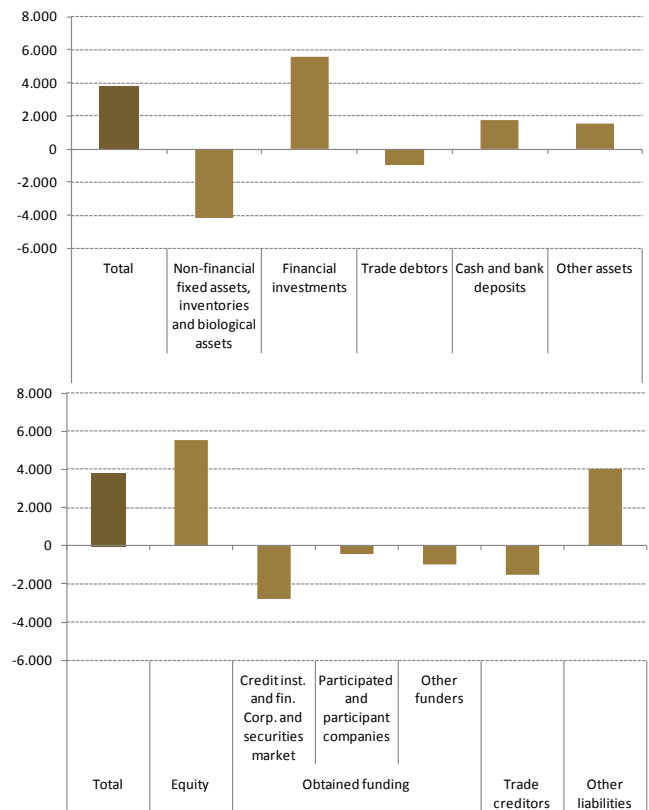
The total balance sheet of non-financial corporations in Portugal increased by EUR 3 779 million in 2013, accounting for a change of 0.7% from the previous year.

As regards *assets*, the increase in the balance sheet of non-financial corporations is determined by an increase in *financial investments*, partially offset by a decrease in *non-financial fixed assets, inventories and biological assets*.

In *equity and liabilities*, the increase in the balance sheet results from growth in the components *equity* and *other liabilities*, offsetting the decrease in *obtained funding* (Chart 4).

**Chart 4**

Breakdown of the change in the balance sheet in 2013, by instrument – EUR millions



The capital ratio (*equity / total assets*) of non-financial corporations in Portugal went from 32.5% in 2012 to 33.3% in 2013.

The increase in the capital ratio was felt in the majority of the economic activities, with the exception of “non-financial holdings”.

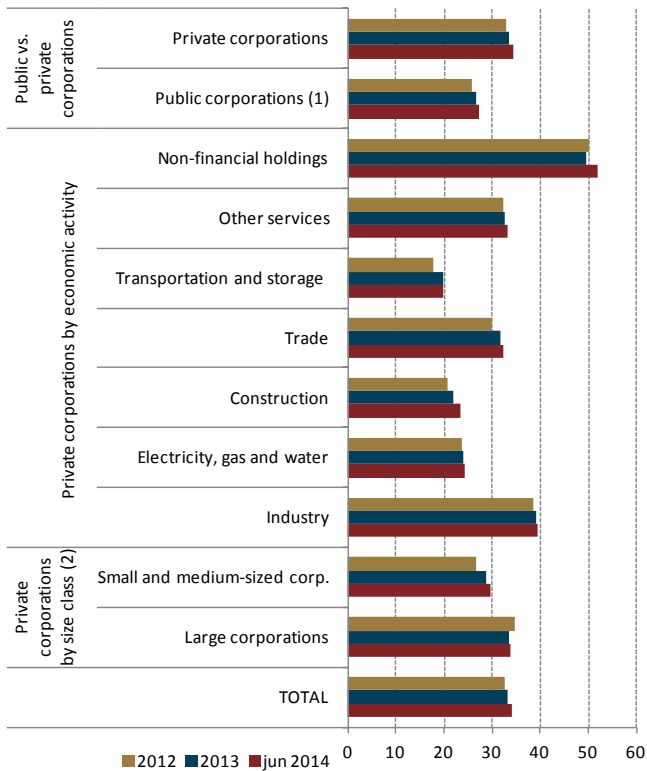
“Small and medium-sized corporations” recorded a capital ratio of 28.7%, 1.9 p.p. more than in 2012.

The capital ratio of “large corporations”, albeit higher than that of “small and medium-sized corporations”, decreased by 1.4 p.p. to 33.4%.

According to available information, in 2014 the capital ratio of non-financial corporations increased again, standing at 34.1% at the end of the first half of the year. This increase was broadly-based across all sectors of activity, with the exception of “transportation and storage” (Chart 5).

**Chart 5**

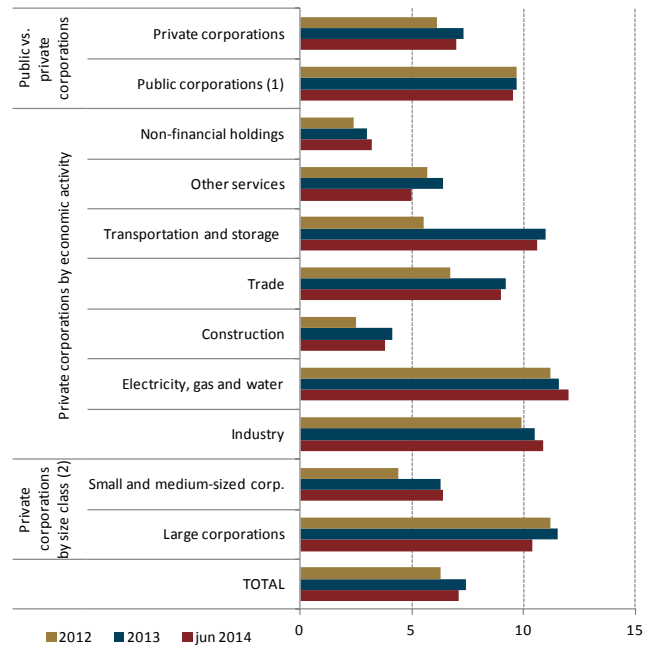
*Equity / total assets – as a percentage*



(1) Public corporations not included in the general government sector  
 (2) Excludes non-financial holdings

**Chart 6**

*EBITDA / (equity + obtained funding) – as a percentage*



(1) Public corporations not included in the general government sector  
 (2) Excludes non-financial holdings

## Gross return on investment

In 2013 gross return on investment ( $EBITDA^5 / \text{capital invested}^6$ ) of non-financial corporations increased by 1.1 p.p. to 7.4% (Chart 6).

The increase in the gross return on investment results from developments in *EBITDA*. *EBITDA* grew by 17.8% from 2012 (up by EUR 4,648 million). All *EBITDA* components have contributed to this increase (Chart 7).

Information available for 2014 (year ended in the first semester) points to a decrease of 0.3 p.p. to 7.1% in the gross return on investment.

Nevertheless, the gross return on investment increased in “industry”, “electricity, gas and water” and “non-financial holdings” and, by size, in “small and medium-sized corporations”.

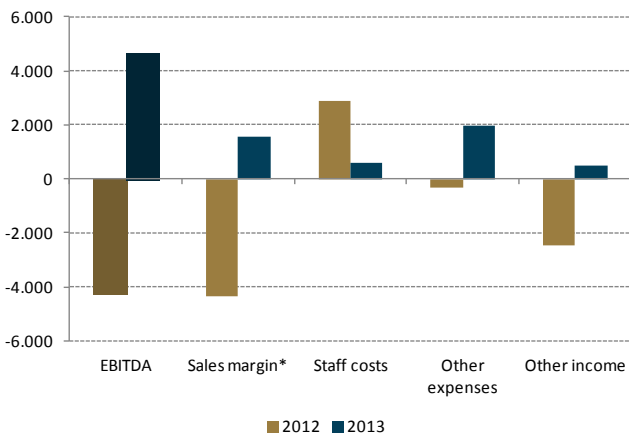
The contraction in “other services” and, by size, in “large corporations” is partly the result of an ongoing restructuring in the telecommunications sector.

<sup>5</sup> *EBITDA* stands for earnings before interest, tax, depreciation and amortisation.

<sup>6</sup> *Capital invested* is the sum of *equity* and *obtained funding*.

Chart 7

Breakdown of the change in *EBITDA* in 2012 and 2013 by instrument – EUR millions



\* Sales margin =  $\text{Turnover} - \text{costs of goods sold and material consumed} - \text{external supplies and services}$

## Cost of obtained funding and financial pressure

The *cost of obtained funding* (*interest expenses / obtained funding*) remained virtually stable from 2012 to the end of the second quarter of 2014 (around 4.3%). In 2013 financial pressure<sup>7</sup> decreased as a result of an increase in *EBITDA* and a decrease in *interest expenses*. The ratio of *EBITDA* to *interest expenses* went from 2.7 in 2012 to 3.3 in 2013. However, this improvement was partly reversed. In the year ended in the first half of 2014, the ratio stood at 3.1.

The *cost of obtained funding* of “small and medium-sized corporations” went from 4.2% in 2012 to 3.9% in 2013 and decreased further in the first half of 2014 to 3.8%.

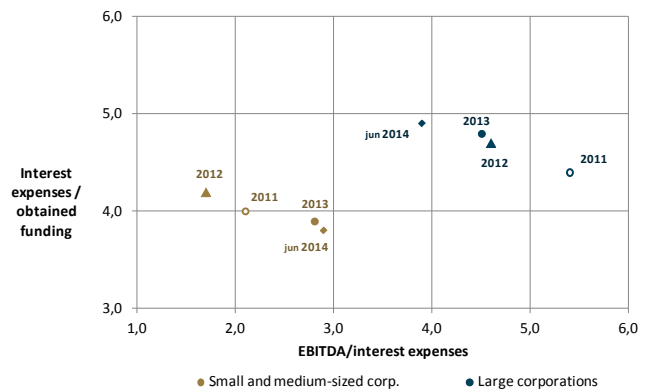
The financial pressure on “small and medium-sized corporations” also declined. The ratio of *EBITDA* to *interest expenses* went from 1.7 in 2012 to 2.8 in 2013 and 2.9 at the end of the first half of 2014.

Opposite developments were observed in “large corporations”: the *cost of obtained funding* increased in 2013 and recorded further growth in the year ended in the first half of 2014. The financial pressure also increased (Chart 8).

<sup>7</sup> Percentage of *EBITDA* absorbed by interest expenses, the reverse of the *EBITDA / interest expenses* ratio.

Chart 8

*Interest expenses / obtained funding* (as a percentage) and *EBITDA / interest expenses* ratio



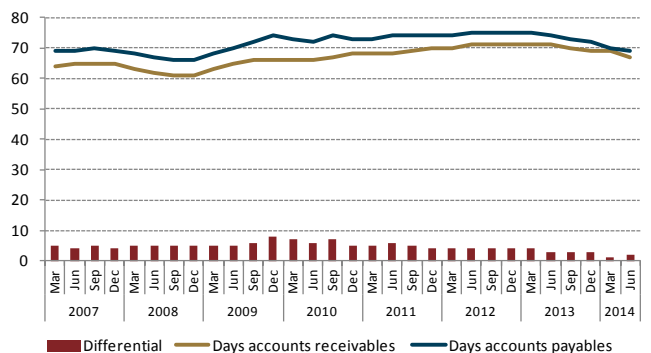
## Days accounts payables and days accounts receivables

In 2013 *days accounts payables* and *days accounts receivables* decreased by 3 and 2 days respectively, standing at 72 days for *days accounts payables* and 69 days for *days accounts receivables* at the end of the year.

According to available information, the differential between *days accounts payables* and *days accounts receivables* also decreased for the year ended in the first half of 2014 (Chart 9).

Chart 9

*Days accounts payables* and *days accounts receivables* (days)



Although the differential between *days accounts payables* and *days accounts receivables* has decreased, net financing by trade creditors<sup>8</sup> as a percentage of *total assets* remained stable, around -2% for 2013 and the first half of 2014 (Chart 10).

<sup>8</sup> This corresponds to the differential between the *trade creditors* balance and the *trade debtors* balance.

**Chart 10**

Share of trade creditors and trade debtors in *total assets* (as a percentage)

