



## STATISTICAL PRESS RELEASE

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### Central Balance Sheet Study | 26

# Sectoral analysis of non-financial corporations in Portugal 2011-2016

24 November 2016

Banco de Portugal has published the [Central Balance Sheet Study | 26](#), which analyses the economic and financial situation of non-financial corporations in Portugal between 2011 and 2016.

The results are chiefly based on data from Banco de Portugal's Central Balance Sheet Database. Total enterprises are broken down by size class – microenterprises, small and medium-sized enterprises (SMEs) and large enterprises – and economic activity sector ('agriculture and fishing', 'manufacturing', 'electricity and water', 'construction', 'trade' and 'other services'), supplemented by details on bank loans obtained by these enterprises from the Portuguese financial system.

#### Structure and dynamics

**408,000 enterprises in 2015; 89 per cent were microenterprises; 41 per cent of turnover was generated by large enterprises**

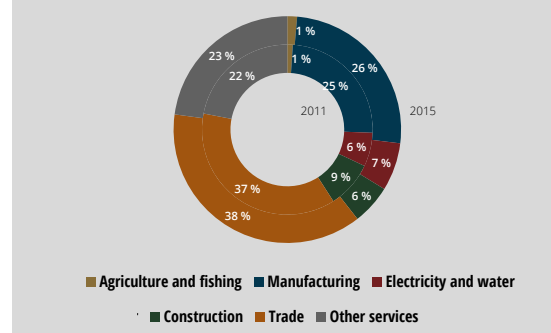
In 2015, 89 per cent of the 408,000 non-financial corporations were microenterprises. However, large enterprises (0.3 per cent of the total) generated most of the turnover (41 per cent).

The share of microenterprises in total enterprises increased by 1 percentage point (p.p.) from 2011. The share of the number of employees in large enterprises also increased, by 2 p.p. The share of SMEs declined by 1 p.p., in terms of both the number of enterprises and employees.

In 2015 the more significant economic activity sectors, in terms of the number of enterprises, were 'other services' (48 per cent) and 'trade' (26 per cent). Regarding turnover, 'trade' and 'manufacturing' were more noteworthy (38 and 26 per cent respectively) (Chart 1).

In 2011 the share of 'construction' decreased in terms of the number of enterprises (-2 p.p.), turnover (-3 p.p.) and number of employees (-3 p.p.).

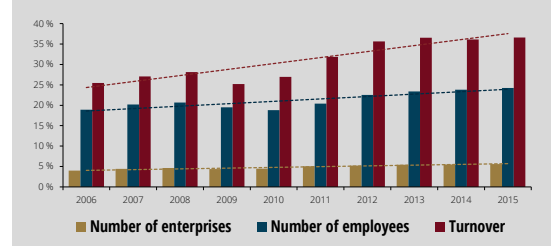
Chart 1 • Structure | Turnover by economic activity sector (2011 and 2015)



In 2015, 6 per cent of enterprises were part of the export sector<sup>1</sup> and comprised 24 per cent of employees and 37 per cent of turnover of enterprises in Portugal, continuing the growth trend seen since 2006 (Chart 2).

The number of active enterprises in Portugal increased by around 1 per cent in 2015, i.e. 0.5 p.p. more than in 2014.

Chart 2 • Share of the export sector in total enterprises (2006 to 2015)



Regarding the geographical location, although most enterprises are concentrated in the North (33 per cent), the Lisbon Metropolitan Area accounted for the largest share of turnover (47 per cent) and number of employees (38 per cent).

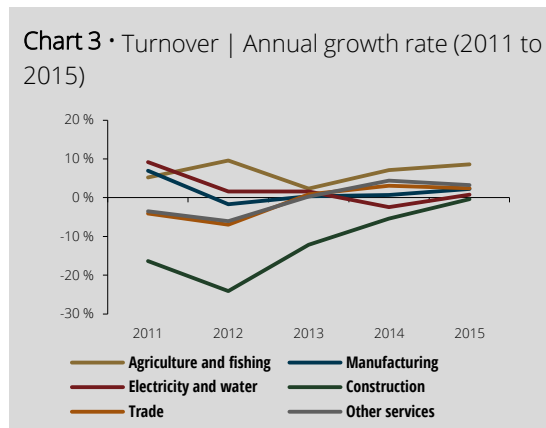
### Activity and profitability

#### Turnover increased by 2 per cent in 2015, similarly to 2014

As in the previous year, enterprise's turnover increased by approximately 2 per cent in 2015. Developments in this indicator were more positive in SMEs and microenterprises (5 and 2 per cent respectively) than in large enterprises (0.4 per cent).

By economic activity sector, the increase in turnover of 'agriculture and fishing' was noteworthy (9 per cent). Only 'construction' posted a decrease in turnover (0.4 per cent) (Chart 3).

Both the external and the domestic markets contributed to an increase in turnover. The domestic market accounted for 2 p.p. of the total change.



Operating expenses increased by 2 per cent in 2015, in line with turnover developments. All operating expenses components grew compared with 2014, but developments were more marked in employee expenses (5 per cent growth, higher than the changes of 2 per cent in supplies and external services and 1 per cent in the cost of goods sold and materials consumed).

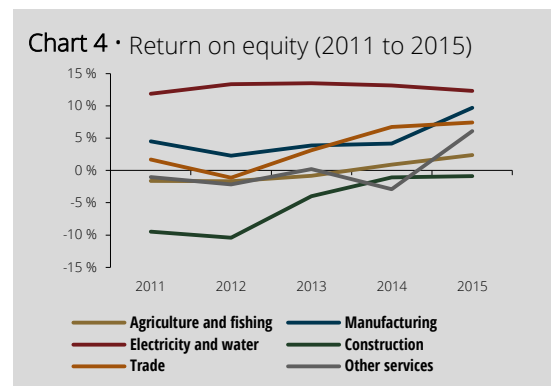
Combined developments in operating income and expenses led enterprise's EBITDA to increase by 25 per cent in 2015. The share of enterprises with EBITDA growth was unchanged from 2014 (54 per cent). Approximately one-third of enterprises posted negative values for EBITDA in 2015 (2 p.p. below the share seen in 2014) (Table 1).

**Table 1 • EBITDA | Share of enterprises with annual EBITDA growth and negative EBITDA (2014 and 2015)**

		Enterprises with annual EBITDA growth		Enterprises with negative EBITDA	
		2014	2015	2014	2015
Total enterprises		54.2 %	54.4 %	35.3 %	33.1 %
By size class	Micro-enterprises	53.8 %	54.4 %	37.5 %	35.4 %
	SMEs	56.7 %	54.4 %	16.5 %	14.6 %
	Large enterprises	60.2 %	53.8 %	8.3 %	9.3 %
By economic activity sector	Agriculture and fishing	56.1 %	51.9 %	29.6 %	30.7 %
	Manufacturing	54.4 %	54.5 %	28.9 %	26.3 %
	Elect. and water	50.7 %	47.2 %	30.1 %	27.7 %
	Construction	52.9 %	53.9 %	35.0 %	31.9 %
	Trade	54.8 %	55.4 %	36.9 %	33.7 %
Other services	54.0 %	54.1 %	36.4 %	34.8 %	

#### Return on equity increased to 7 per cent in 2015

Improvements in operating income led to an increase in return on equity in 2015 (by 7 per cent, compared with 3 per cent in 2014). Profitability increased across size classes and in most economic activity sectors (Chart 4). Profitability was positive across all size classes.



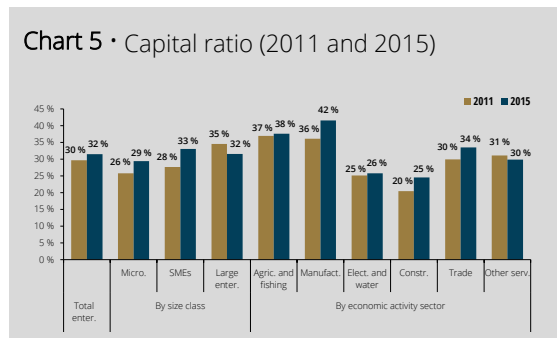
In 2015 operating income corresponded to 11 per cent of total turnover, while net profitability accounted for 4 per cent (both indicators increased by 2 p.p. from 2014).

Enterprises with higher profitability were more exposed to the external market, posted higher operating income (which was reflected on higher net profitability) and were less dependent on debt.

## Financial situation

### 32 per cent of assets were funded by equity and 29 per cent of enterprises posted negative equity

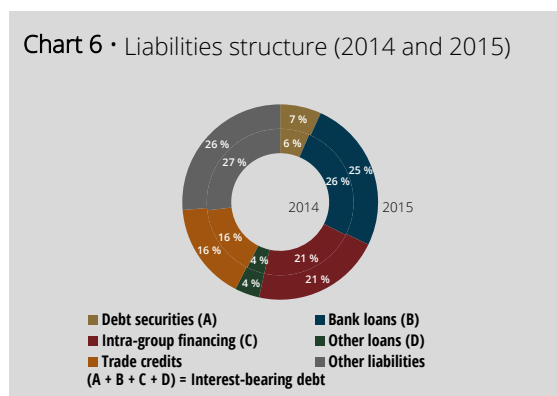
In 2015, 68 per cent of the assets of enterprises were funded by debt, which resulted in a capital ratio of 32 per cent (Chart 5). Compared with 2011, the capital ratio increased by 2 p.p., decreasing only for large enterprises and 'other services'.



In 2015, 29 per cent of enterprises were particularly dependent on debt financing, posting negative equity.

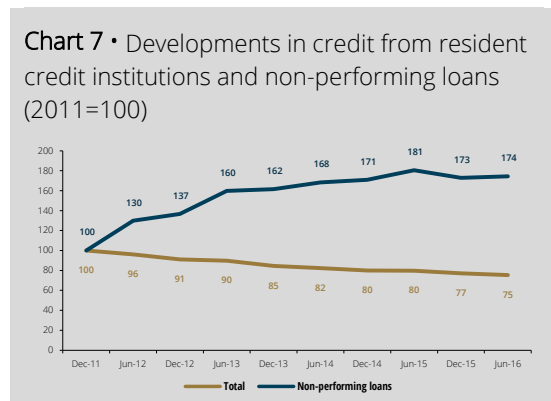
### Bank loans and intra-group financing were the most significant components of interest-bearing debt

In 2015 interest-bearing debt and trade credits were the main sources of debt, accounting for approximately 74 per cent of liabilities in total enterprises (Chart 6). Bank loans were the most significant component of interest-bearing debt (25 per cent of liabilities), followed by intra-group financing (21 per cent of liabilities). Debt securities and other loans corresponded to 7 per cent and 4 per cent of liabilities respectively.



Excluding debt securities (which grew by 2 per cent), all liabilities components decreased in 2015, particularly bank loans (-6 per cent) and other liabilities (-5 per cent), which accounted for the largest share of changes in liabilities (2.9 p.p., out of 3.4 per cent).

Data available for 2016 compiled by the Central Credit Register of Banco de Portugal shows that credit granted to non-financial corporations by the resident financial system has declined. At the end of the first half of 2016, it accounted for 75.4 per cent of that seen at the end of 2011 (Chart 7). Over that period, the quality of credit granted deteriorated: the non-performing loans ratio stood at 16.7 per cent at the end of the first half of 2016; in 2011 it was 7.2 per cent.



The non-performing loans ratio increased across economic activity sectors and size classes between the end of 2015 and the end of the first half of 2016, excluding 'electricity and water'.

### The decrease in interest expenses contributed to a reduction in financial pressure

In 2015 interest-bearing debt accounted for 58 per cent of corporate liabilities. Interest paid by non-financial corporations in Portugal declined by 12 per cent from 2014. This decline was seen across size classes and economic activity sectors (Table 2).

The broad-based decrease in financial pressure on enterprises (measured by the weight of interest in EBITDA) was due to combined developments in interest and EBITDA. 20 per cent of EBITDA were used in 2015 to cover interest expenses (28 per cent in 2014).

Alternatively, the interest coverage ratio (ICR) can be used to interpret financial pressure on enterprises, by assessing EBITDA's capacity to cover interest expenses. In the case of enterprises that actually paid interest in 2015 (48 per cent of enterprises, associated with 88 per cent of liabilities and 97 per cent of interest-bearing debt in total enterprises), 24 per cent of total liabilities were associated with enterprises that did not generate enough EBITDA to cover interest expenses (32 per cent in 2014). In turn, approximately 58 per cent of liabilities corresponded to enterprises with EBITDA levels at least three times the amount of interest expenses (46 per cent in 2014). The share of

liabilities of enterprises with interest coverage ratios above 3 increased consecutively from 2012 onwards.

**Table 2 • Annual growth rate of interest expenses and financial pressure (2014 and 2015)**

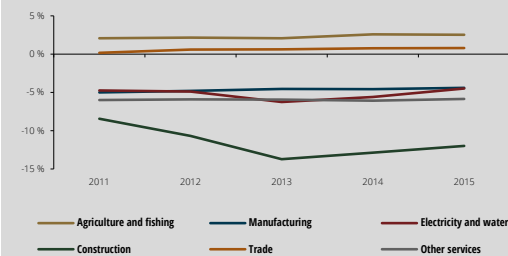
		Annual growth rate of interest expenses		Financial pressure (Interest expenses / EBITDA)	
		2014	2015	2014	2015
Total enterprises		-6.3 %	-11.8 %	27.9 %	19.7 %
By size class	Micro-enterprises	-9.1 %	-16.0 %	61.3 %	31.9 %
	SMEs	-3.4 %	-11.2 %	23.9 %	19.1 %
	Large enterprises	-7.5 %	-10.3 %	25.1 %	17.3 %
By economic activity sector	Agriculture and fishing	1.6 %	-5.9 %	21.2 %	16.8 %
	Manufacturing	-8.9 %	-17.6 %	17.4 %	10.6 %
	Elect. and water	0.4 %	-5.3 %	28.0 %	26.9 %
	Construction	-16.4 %	-20.1 %	64.9 %	58.5 %
	Trade	-6.2 %	-15.1 %	16.6 %	13.3 %
	Other services	-5.4 %	-9.9 %	36.0 %	21.2 %

### Enterprises did not obtain net funds through trade credit financing

Trade credit financing accounted for 16 per cent of total corporate liabilities in 2015, maintaining a virtually unchanged weight from 2014.

However, in net terms, the balance of accounts payable and accounts receivable, weighted by turnover, remained negative in 2015 (-3 per cent), reflecting the fact that enterprises have not been able to obtain financing through this means, on average. Indeed, credit granted to customers by enterprises exceeded that which they obtained from suppliers (Chart 9).

**Chart 9 • Net trade credit financing | As a percentage of turnover (2011 to 2015)**



<sup>1</sup>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*, of June 2015.

For more information, see:

[Statistical domain of Central Balance Sheet Database statistics in BPstat | Statistics online](#)

[Supplement to the Statistical Bulletin 2/2013 on statistics on non-financial corporations of the Central Balance Sheet Database](#)

[Central Balance Sheet Study No 26 on non-financial corporations \(in Portuguese only\)](#)

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