SECTORAL ANALYSIS OF THE MANUFACTURE OF FOOTWEAR

Central Balance Sheet Studies

November 2012

10

Banco de Portugal

EUROSYSTEM

SECTORAL ANALYSIS OF THE MANUFACTURE OF FOOTWEAR

Central Balance Sheet Studies

November 2012

10

Banco de Portugal
EUROSYSTEM

BANCO DE PORTUGAL

Av. Almirante Reis, 71

1150-012 Lisboa

www.bportugal.pt

Edition

Statistics Department

Translation

International Relations Department

Translation Unit

Design, printing and finishing

Administrative Services Department

Documentation, Editing and Museum Division

Editing and Publishing Unit

Lisbon, 2013

Number of copies

200

ISBN 978-989-678-221-4 (print)

ISBN 978-989-678-222-1 (online)

ISSN (print) - 2182-1704

ISSN (online) - 2182-1712

Legal Deposit 326546/11

FOREWORD

This analysis is based on data obtained from Simplified Corporate Information (IES) and held in the Central Balance Sheet Database of Banco de Portugal. Through IES, enterprises are able to meet their obligation to report their annual accounts simultaneously to the Ministries of Finance and Justice, Banco de Portugal and Instituto Nacional de Estatística – INE (Statistics Portugal).

IES is usually reported within six and a half months from the financial year end, which, for most enterprises resident in Portugal, corresponds to 15 July of the year following the reference year. As regards data for 2011, however, the deadline for submission was extended to the end of July 2012, due to the late availability of the collection application.

IES relating to 2010 is the first corporate annual account report complying with the new Accounting Normalisation System (*SNC - Sistema de Normalização Contabilística*). The accounting standards introduced in 2010, which change the submission of accounts and confer special relevance on the accounting and financial reporting standards, made the quality control process developed within Banco de Portugal on the information reported by the enterprises even more relevant. This process essentially aims to ensure that accounting information for the economic year is coherent and that the main aggregates are consistent throughout the years. That analysis also involves matching the reported information with the data obtained from other statistical systems available within Banco de Portugal.

In addition to information obtained from IES, the analysis is also complemented with data on the financial debt of Portuguese enterprises available from the Central Credit Register, a database also managed by the Statistics Department of Banco de Portugal. This information helps account for a significant share of the financial liabilities of Portuguese enterprises, particularly as regards loans to the financial sector.

SUMMARY

According to information available from Banco de Portugal's Central Balance Sheet Database for 2011, the *Manufacture of Footwear* represented 4% of the enterprises, 3% of turnover and 6% of the number of employees in *Manufacturing*. In non-financial corporations (NFCs) as a whole, that sector accounted for 0.5% of the number of enterprises, 0.6% of turnover and 1.4% of the number of employees.

96% of the enterprises in the *Manufacture of Footwear* was concentrated in the Aveiro, Oporto and Braga districts and turnover in the sector was chiefly determined by enterprises established for 20 years or more (57%). Small and medium-sized enterprises (SMEs) were predominant: in 2011, they included more than half the enterprises (52%) and represented more than 82% of the sector's employment and turnover. Therefore, enterprises in this size class were relevant for developments in the *Manufacture of Footwear*.

The high tradable level of products in the *Manufacture of Footwear* confers on this sector a special feature distinguishing it from many other activities in Portugal. In effect, in 2011, 64% of turnover in the sector was channelled to the external market, thereby exceeding the share of exports in turnover, of both *Manufacturing* and the NFC aggregate (40% and 20% respectively). This degree of openness to the external market largely explained the 9% growth in turnover in the *Manufacture of Footwear* in 2011, compared with 2010, in contrast with the 5% contraction in NFCs.

Positive developments in turnover in 2011 were also reflected in EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) and in return on equity in the sector, which grew 17% and 2 p.p. respectively. In terms of return on equity, for the first time during the period under review, this sector exceeded the NFC aggregate (7% and 3% respectively) in 2011.

Turning to the financial situation, the *Manufacture of Footwear* was very much dependent on debt in 2011, similarly the NFC aggregate in Portugal. The capital ratio indicator demonstrates that dependency, not exceeding 32% in the sector, in spite of the 2 p.p. increase from 2010. Nevertheless, the share of enterprises with capital shortage in this sector was 17%, compared with 27% in NFCs.

In 2011, financial debt (bank loans, debt securities and interest-bearing debt of group enterprises) and trade credits, as a whole, represented about two-thirds of the sector's debt. Compared with the NFC aggregate, there were some differences at the level of the relative importance of components: on the one hand, trade credits were more relevant in the *Manufacture of Footwear*, and, on the other hand, financial debt in this industry was virtually restricted to bank loans. Compared with 2010, bank loans contracted, which was determinant for the decrease in the financial debt and trade credit aggregate.

The deterioration in the financing conditions of the Portuguese economy had an impact on the sector under review, where interest paid grew 13% from 2010. Nonetheless, that impact was more than offset by the improvement in the sector's EBITDA, as the level of financial pressure on the respective enterprises did not deteriorate in 2011, contrary to developments in NFCs (by11 p.p.).

Turning to trade debt, enterprises in the *Manufacture of Footwear* received from their customers, on average, earlier than they paid to their suppliers. However, considering the differential between accounts payable and accounts receivable, in fact trade debt was no type of sector financing. Yet, in recent years, developments have pointed to more balanced accounts.

Additional information from Banco de Portugal's Central Credit Register shows that financing granted by resident credit institutions (CI) to enterprises in the *Manufacture of Footwear* declined 7% in 2011, stabilising in the first half of 2012. In turn, the non-performing ratio increased, but less markedly than in NFCs. Nevertheless, at the end of the first half of 2012, around 13% of credit granted to the sector by resident CI was overdue, compared with 10% in the NFC aggregate in Portugal.

CONTENTS

CHARTS

TABLES

ACRONYMS

CAE	Portuguese Classification of Economic Activities
CI	Credit institutions
COGS	Cost of goods sold and materials consumed
EBITDA	Earnings before interest, taxes, depreciation and amortisation
ESA 95	European System of National and Regional Accounts 1995
GDP	Gross domestic product
IES	*Informação Empresarial Simplificada* (Simplified Corporate Information)
INE	*Instituto Nacional de Estatística* – Statistics Portugal
NFCs	Non-financial corporations
p.p.	Percentage points
SES	Supplies and external services
SMEs	Small and medium-sized enterprises (excluding microenterprises)
SNC	*Sistema de Normalização Contabilística* (Accounting Normalisation System)

SECTORAL ANALYSIS OF THE MANUFACTURE OF FOOTWEAR

I SECTORAL ANALYSIS OF THE MANUFACTURE OF FOOTWEAR

1 INTRODUCTION

The *Study Sectoral Analysis of the Manufacture of Footwear* evaluates the economic and financial situation of enterprises operating in the *Manufacture of Footwear* sector, based on information compiled by the Central Balance Sheet Database of Banco de Portugal[1]. For the purposes of this analysis, enterprises included in Group 152 of the Portuguese Classification of Economic Activities – 3rd revision (CAE-Rev.3) are considered to be part of this sector.

The results published in this *Study* complement the aggregate data on non-financial corporations (NFCs)[2], and are also obtained from the Central Balance Sheet Database released within the scope of Banco de Portugal's statistical publications[3]. This analysis covers the 2007-2011 period, and provides additional details for 2012 as regards financing through bank loans.

This *Study* sets out to characterise the *Manufacture of Footwear* sector against a series of selected indicators on the structure of the individual results of the enterprises[4] forming the sector. For this purpose, results are presented in terms of aggregate data on enterprises (i.e. by quartile), which allows for an alternate analysis to the synthetic indicator on the average aggregate and provides measures that exclude distortions caused by any extreme observations. The *Study* also analyses the contributions of different subgroups of enterprises in order to determine the aggregate results for this sector, especially in terms of size classes.

This *Study* also compares results for the *Manufacture of Footwear* sector and the *Manufacturing* and NFC aggregates in Portugal for all indicators under analysis. For further details on the results obtained for the NFC sector, please see *Studies* 2, 3 and 8 of the Central Balance Sheet Database of Banco de Portugal (published in December 2010, September 2011 and November 2012 respectively).

The analysis starts with the characterisation of the *Manufacture of Footwear*, evaluating the structure in terms of size class, geographical location, maturity and legal nature of the enterprises comprising it. It also reviews recent turnover developments to determine the extent to which these are reflected in business profitability. This involves a breakdown of the effects that influence this profitability into operating and financial components, while also aiming to provide some information on the sector's solvency capacity.

---

1 The Central Balance Sheet Database is a database with economic and financial information on NFCs in Portugal. Information used in this *Study* is based on annual accounting data (from the Annual Central Balance Sheet Database) reported within the scope of the IES (*Simplified Corporate Information*) and quarterly accounting data (from the Quarterly Central Balance Sheet Database) reported by enterprises through the Quarterly Survey of Non-Financial Corporations. Annual data cover nearly all NFCs and quarterly data cover around 3,000 enterprises, representing 40% of turnover in the sector. For further detail on the activity of the Central Balance Sheet Database, please refer to the Supplements to the Statistical Bulletin 5/2005 – *Statistics on Non-Financial Corporations from the Central Balance Sheet Database*, and 1/2008 – *Simplified reporting: Inclusion of the Simplified Corporate Information in the Statistics on Non-Financial Corporations from the Central Balance Sheet Database*, as well as the publication Central Balance Sheet Study | 6 , December 2011 – *New Enterprise and Sector Tables: Adjustment to the Accounting Standards System.*

2 The NFC sector represents one of the economy's five institutional sectors. The institutional sectorisation of economic agents is carried out in accordance with the 1995 European System of National and Regional Accounts (ESA 95), approved by Council Regulation (EC) No 2223/96 of 25 June 1996. ESA 95 is a harmonised reference on the compilation methodology with a deadline for release of the national accounts of EU countries, including statistics under Banco de Portugal's responsibility. Based on this regulation, sole proprietors are included in the households' institutional sector. Hence, all data on the NFC sector throughout this document exclude sole proprietors (in Portugal these represent around two-thirds of the number of enterprises, but only 5% of the respective turnover).

3 Central Balance Sheet Database statistics are published in Banco de Portugal's Statistical Bulletin (Chapters A and G) and in Sector Tables, both available on the Banco de Portugal's website and BPstat | Statistics Online.

4 For the sake of simplicity, this *Study* refers interchangeably to the expressions 'enterprise' and 'corporation', but both exclude the sole proprietor aggregate.

Finally, additional information available from other databases of Banco de Portugal's Statistics Department provides details on the financial debt of enterprises in the *Manufacture of Footwear*, especially as regards loans obtained from the financial sector in Portugal.

The Annex provides a table with the main indicators and a methodological summary with the definition of the main concepts used throughout the *Study*. The statistical series analysed in the *Study* are in Excel files, which can be consulted on the Bank's website.

2 STRUCTURE AND DYNAMICS

2.1 Structure

The *Manufacture of Footwear* is part of *Manufacturing* and, according to CAE-Rev.3 (Group 152), includes manufacture of footwear for all purposes, of any material, by any process, including moulding. It also includes manufacture of leather parts of footwear.

In 2011 these activities included approximately 1,700 enterprises, representing 4% of the enterprises, 6% of the number of employees and 3% of turnover in *Manufacturing*[5]. Over the past ten years, the share of the *Manufacture of Footwear* increased slightly in number of enterprises (0.1 p.p.), but declined in terms of turnover (0.7 p.p.) and number of employees (0.3 p.p.) in total *Manufacturing* (Table 1).

The *Manufacture of Footwear* included 1.7 thousand enterprises, representing 3% of turnover and 6% of employment in *Manufacturing*

Table 1

SHARE OF THE MANUFACTURE OF FOOTWEAR SECTOR IN MANUFACTURING (2001 and 2011)

	2001	2011
Number of enterprises	4.1%	4.3%
Turnover	3.2%	2.5%
Number of employees	6.7%	6.4%

By **size class**[6], small and medium-sized enterprises (SMEs) prevailed in the *Manufacture of Footwear*. In 2011 they concentrated half the enterprises in the sector (52%) and a very significant share of turnover (82%) and employment (83%). In the NFC aggregate, SMEs represented 12% of the enterprises, 40% of turnover and 44% of employment (Table 2).

SMEs prevailed in the sector, and concentrated 82% of turnover and 83% of employment

Table 2

INDICATORS BY SIZE CLASS (2011)

Analysis dimension	Enterprise size	NFCs	Manufacture of Footwear
Number of enterprises	Microenterprises	88.1%	47.9%
	Small and medium-sized enterprises	11.6%	51.6%
	Large enterprises	0.3%	0.5%
Turnover	Microenterprises	14.5%	5.0%
	Small and medium-sized enterprises	40.3%	82.0%
	Large enterprises	45.2%	13.1%
Number of employees	Microenterprises	26.3%	7.2%
	Small and medium-sized enterprises	43.6%	82.9%
	Large enterprises	30.0%	9.9%

Note: Shaded cells indicate the most relevant size classes.

This prevalence of SMEs in the sector was chiefly due to the marked decline in the weight of large enterprises over the past decade, probably on account of the delocalisation of enterprises to third countries.

The share of large enterprises declined markedly over the past decade

5 In the same year, *Manufacturing* was responsible for 11% of the number of enterprises, 23% of the number of employees and 24% of turnover in NFCs.

6 The definition of enterprise size classes used in this *Study* is detailed in the Annex

The Oporto, Aveiro and Braga districts held 96% of turnover in the *Manufacture of Footwear*

As regards the **geographical location**[7], the *Manufacture of Footwear* was mostly concentrated in three districts: Oporto, Aveiro and Braga. In 2011 these regions were responsible for more than 95% of the number of enterprises, number of employees and turnover in the sector.

This contrasts with the NFC aggregate, where these districts represented 31% of the number of enterprises, 33% of the number of employees and 27% of turnover. Considering *Manufacturing*, however, the above districts gained again more relevance (51% of enterprises, 56% of the number of employees and 39% of turnover).

Over the past decade, the Aveiro district lost importance to Oporto and Braga districts

Geographical concentration of enterprises in the *Manufacture of Footwear* in the Oporto, Aveiro and Braga districts changed over the last decade, although in 2001 these districts already represented 93% of any of the variables under review for the sector. In turn, there were some changes between the relative position of those locations, with a decline in the Aveiro share and an increase in the Oporto and Braga shares (Table 3).

Table 3

GEOGRAPHICAL LOCATION BY DISTRICT (2001 AND 2011)

District	Analysis dimension	2001	2011
Aveiro	Number of enterprises	47.1%	42.7%
	Turnover	38.8%	29.1%
	Number of employees	40.5%	34.6%
Braga	Number of enterprises	12.9%	13.7%
	Turnover	14.6%	19.6%
	Number of employees	13.8%	19.6%
Oporto	Number of enterprises	34.3%	39.8%
	Turnover	40.9%	47.1%
	Number of employees	39.5%	41.7%

Note: Shaded cells indicate the most relevant districts.

Private limited companies were predominant in this sector ...

As regards their **legal nature**[8], private limited companies were predominant in the *Manufacture of Footwear*: 89% of the number of enterprises, 78% of turnover and 80% of the number of employees. In the NFC aggregate, the share of private limited companies, in terms of turnover and number of employees, was lower (89% of the number of enterprises, 42% of turnover and 59% of number of employees).

...as well as older enterprises

In terms of **enterprise maturity**[9], turnover in the *Manufacture of Footwear* was dominated by enterprises established for 20 years or more (57%), which compares with 46% in the case of the NFC aggregate in Portugal (Chart 1). As a result, younger enterprises were less relevant in the *Manufacture of Footwear*. In effect, enterprises established for ten years represented 19% of turnover in this sector, compared with 25% in the case of the NFC aggregate.

The *Manufacture of Footwear* showed lower concentration than the NFC sector

Finally, when compared with the NFC aggregate and *Manufacturing* in Portugal, the *Manufacture of Footwear* sector represented lower business **concentration**. In 2011, 69% of turnover and 47% of the number of employees were concentrated in 10% of the enterprises with the highest turnover in the *Manufacture of Footwear*. As regards NFCs, the same proportion of enterprises concentrated more significant shares of both turnover (89%) and number of employees (65%).

7 Geographical location refers to the district where the enterprise head office is located.

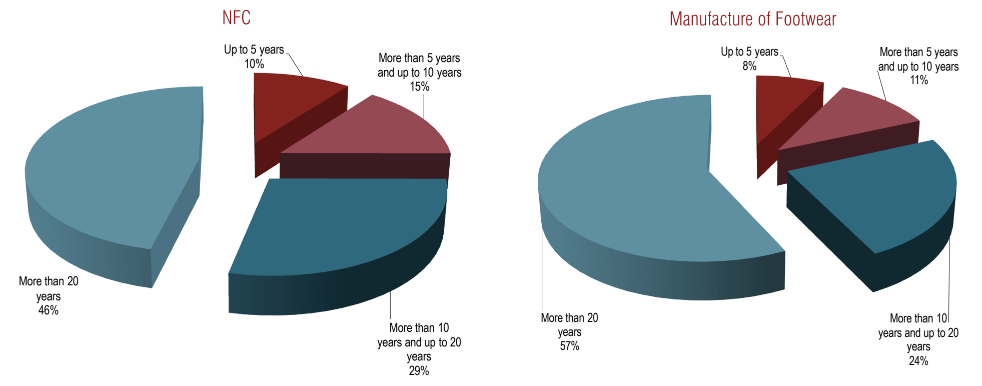
8 Considering the numerous categories included in national regulations for the classification of enterprises by legal nature, we opted for highlighting only public limited companies and private limited companies, whereas the remaining legal nature is aggregated under 'other legal nature'.

9 Enterprise maturity corresponds to the age of the enterprise as at the analysis reference date. In order to establish relatively homogenous groups that are meaningful at produced information level, four maturity classes were built: up to (but not including) five years, from five to (but not including) ten years, from ten to (but not including) 20 years, 20 or more years.

For total *Manufacturing*, this concentration measure attained 88% in terms of turnover and 59% in terms of the number of employees.

Chart 1

STRUCTURE BY MATURITY CLASS (TURNOVER - 2011)



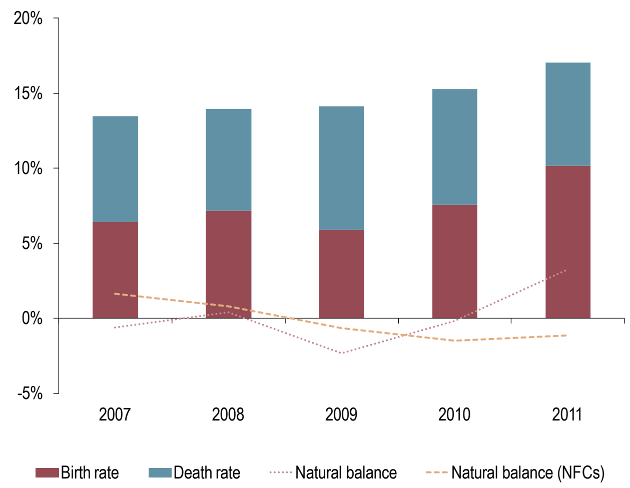
2.2 Dynamics

In 2011 the churn rate[10] of the *Manufacture of Footwear* sector attained 17%, chiefly due to the increase in the birth rate, given that the death rate remained at the level seen in previous years (Chart 2). As a result, the sector had a positive 3% natural balance in 2011. This result contrasts with that of the NFC aggregate in Portugal, which had a negative natural balance in 2011 (1%).

In 2011 the number of enterprises increased in the *Manufacture of Footwear* (positive 3% natural balance), chiefly due to the rise in the birth rate...

Chart 2

DEMOGRAPHIC INDICATORS



10 The churn rate makes it possible to assess the dynamics regarding the birth and death of enterprises in an economy. It is calculated from the sum of the enterprise birth rate (calculated from the ratio of enterprises starting their activity to the number of active enterprises in the reference period) and the respective death rate (resulting from the ratio of enterprises ceasing their activity to the number of active enterprises in the reference period).

...the share of the sector in total NFCs has increased somewhat over the past few years

Over the past few years, the number of enterprises in the *Manufacture of Footwear* has remained relatively stable, as a result of alternating positive and negative natural balances. In the NFC aggregate, in turn, the number of enterprises has been declining. Therefore, the share of the *Manufacture of Footwear* sector in total NFCs, in terms of the number of enterprises, has increased somewhat.

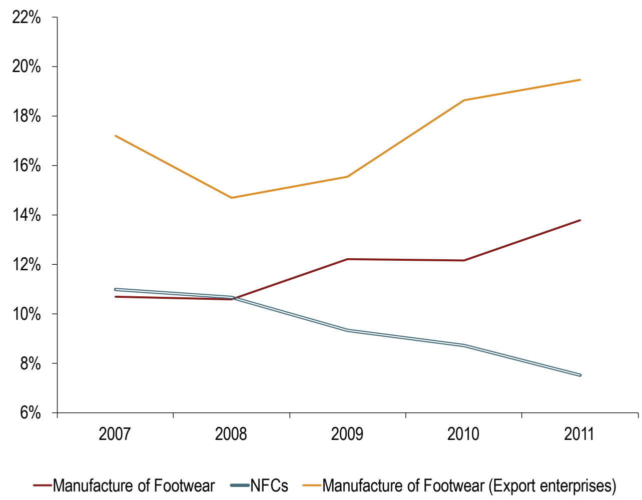
In order to complement this analysis of business dynamics in the *Manufacture of Footwear* sector, a calculation was made of the share of high-growth enterprises (HGEs), i.e. enterprises with average annualised growth greater than 20% a year, over a three-year period[11].

Compared with total NFCs, the share of HGEs was greater in the *Manufacture of Footwear* (8% and 14% respectively)...

This showed that 14% of enterprises in the *Manufacture of Footwear* were HGEs in 2011. Compared with the NFC aggregate, the share of HGEs in that sector was greater (8% in NFCs), and has even increased in recent years, whereas in NFCs it has declined – in 2008 that share was 11%, in both the sector under review and NFCs (Chart 3).

Chart 3

SHARE OF HIGH-GROWTH ENTERPRISES (HGE)



... particularly in exporting enterprises (19%)

An analysis of the exporting enterprise subgroup[12] shows that in the *Manufacture of Footwear* sector, those enterprises had the highest percentage of HGEs (19% in 2011) and also the enterprises with greater growth since 2008, the year when the percentage of HGEs was 15%.

11 For the purposes of the *Study*, turnover was used as enterprise growth indicator.

12 The exporting enterprise concept is based on two criteria defined with a view to isolating the enterprises for which the external market is particularly relevant: (i) enterprises with at least 50% of turnover derived from the external market; or (ii) enterprises with at least 10% of turnover derived from the external market and with a value exceeding €150 tousand. In order to capture the dynamics of the exporting sector, avoiding large fluctuations in annual samples, common enterprises were considered for three years in a row.

3 ECONOMIC AND FINANCIAL ANALYSIS

3.1 Economic environment

The growing pressure of international financial markets on the Portuguese sovereign debt, due to the broadening of the sovereign debt crisis in the euro area and international investors' fears about the sustainability of the Portuguese public finances and external debt, has led to the formalisation of a request for economic and financial assistance from the European Union, euro area Member States and the International Monetary Fund in April 2011.

The Portuguese GDP declined 1.7% in 2011

The year 2011 was therefore marked by the adoption of measures to adjust the macroeconomic and other structural imbalances of the Portuguese economy. This was part of a vast programme of economic and financial assistance which was designed to lead the economy back to the necessary conditions for its sustained growth and ensure its financing through international investors in the near future. As a result of the implementation of these measures, the Portuguese economy was anticipated to contract in the short term. In 2011, in fact, economic activity in Portugal receded 1.7%, after 1.4% growth in 2010. The strong declines in public and private consumption and in investment were dampened by the buoyancy of the balance of foreign trade operations, with favourable countercyclical developments that contributed to a decline in the Portuguese economy's external financing needs (Table 4).

At the end of first half of 2012 GDP had declined 2.8%

In 2012 the data suggest a fall in output of around 2.8% in the first half of the year. The latest estimates by Banco de Portugal point to a fall of 3% in GDP in 2012[13].

Table 4

GDP AND KEY COMPONENTS | *Annual growth rate*

	2007	2008	2009	2010	2011	2012 (1st half-year)
GDP	2.4%	0.0%	-2.9%	1.4%	-1.7%	-2.8%
Private consumption	2.5%	1.3%	-2.3%	2.1%	-4.0%	-5.7%
Public consumption	0.5%	0.3%	4.7%	0.9%	-3.8%	-2.9%
Gross fixed capital formation	2.6%	-0.3%	-8.6%	-4.1%	-11.3%	-14.3%
Exports	7.5%	-0.1%	-10.9%	8.8%	7.5%	6.1%
Imports	5.5%	2.3%	-10.0%	5.4%	-5.3%	-5.9%

Source: Statistics Portugal and Banco de Portugal

13 For further information on economic performance in Portugal, please refer to Banco de Portugal's *Annual Report*, as well as the *Economic Bulletin*, published quarterly. Both publications are available at *http://www.bportugal.pt*..

3.2 Activity and profitability

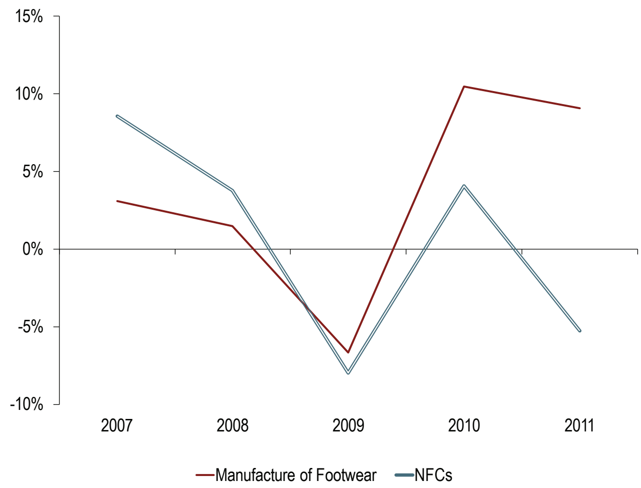
3.2.1 Turnover

The *Manufacture of Footwear* continued to grow in 2011 (9%) and maintained a more favourable performance of turnover when compared with NFCs

According to annual data from the Central Balance Sheet database, in spite of the unfavourable macroeconomic framework, turnover in the *Manufacture of Footwear* continued to grow in 2011 (9%), albeit at a lower level than in 2010 (10%). These developments contrast with NFCs, whose turnover declined 5% in 2011. Likewise, since 2009 the sector has shown a more positive performance in terms of activity than NFCs (Chart 4). .

Chart 4

TURNOVER | *Annual growth rate*



All size classes contributed to turnover growth in the sector in 2011

By enterprise size, all classes have contributed to growth in the *Manufacture of Footwear* in 2011, where SMEs grew more (9%) and large enterprises grew less (7%).

Considering the high weight of SMEs in the sector, developments in this size class have been decisive for the trend in the *Manufacture of Footwear* sector. This, however, was not the case of the NFC aggregate in Portugal, where large enterprises had a slightly higher weight than SMEs, which has contributed to mitigate the fall in turnover in total NFCs.

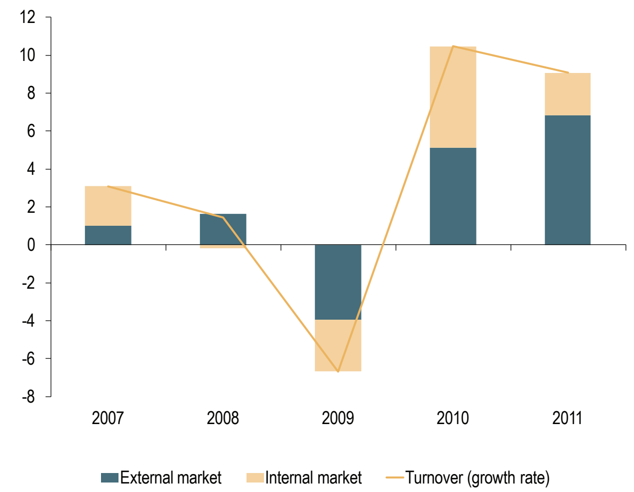
The external market was the destination of 64% of turnover in the sector (20% in NFCs)

The fact that it deals with tradables has enabled the *Manufacture of Footwear* sector, when compared with other activities in Portugal, to be particularly relevant at international trade level. In effect, in 2011, the external market was the destination of 64% of turnover in this sector. That share in the NFC aggregate was 20%.

Exports have actually been the most relevant component in the development of turnover in the sector, contributing 7 p.p. to 9% growth in 2011. The internal market, in turn, has been the least relevant component and its contribution was even lower in 2011, when compared with 2010 (Chart 5).

Chart 5

TURNOVER | *Annual growth rate (in %) and contributions (in p.p.)*



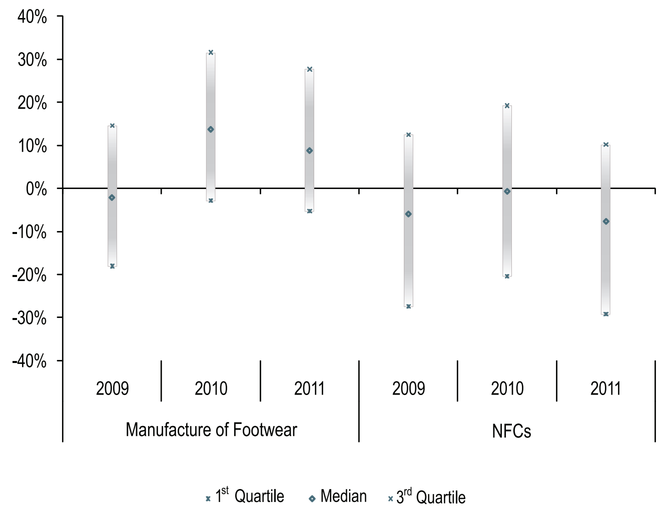
An analysis of the distribution of enterprise data confirms that most enterprises closely reflect developments in turnover in the sector (Chart 6). In effect:

Most enterprises closely reflected developments in turnover in the sector

- In 2010 all distribution measures of enterprise data (first quartile, median and third quartile) showed positive changes, which were more noticeable in the *Manufacture of Footwear* than in NFCs; and,
- In 2011 the distribution measures of enterprise data had a negative change. NFCs reflected developments of 2009.

Chart 6

TURNOVER | *Quartile distribution of the annual growth rate*



3.2.2 Operating costs[14]

In line with activity, operating costs grew 10% in 2011, as a result of 11% growth in CoGS

Operating costs in the *Manufacture of Footwear* have been following the turnover trend, rising 10% in 2011.

In 2011 the Cost of goods sold and materials consumed (CoGS) represented 54% of the operating costs in this sector, employee costs 24% and Supplies and external services (SES) 22%. CoGS was therefore a key factor for the development of operating costs in the sector in 2011 (6 p.p.), increasing 11% in that year (Chart 7).

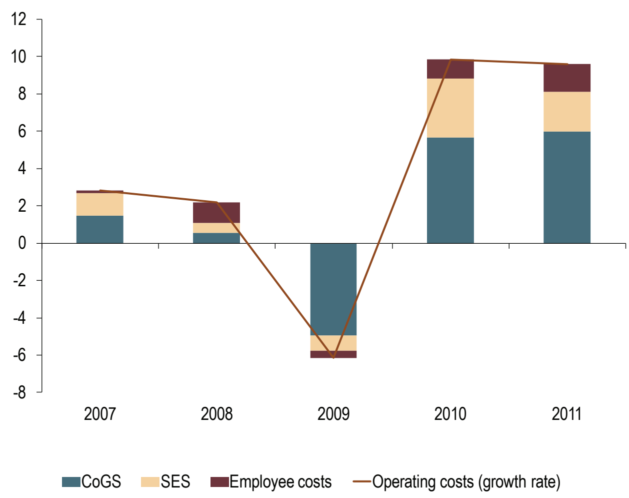
The relative share of employee costs in the *Manufacture of Footwear* was higher than in the NFC aggregate

Employee costs, in turn, made the lowest contribution to the rise in the sector's operating costs (1.5 p.p.), and were also the cost component with the smallest growth in 2011 (6%). Nevertheless, employee costs had a more significant relative importance in the *Manufacture of Footwear* than in NFCs as a whole in Portugal. In effect, employee costs represented 24% of the operating costs in the *Manufacture of Footwear* sector (15% in NFCs).

In the period under review, all components in operating costs showed annual developments in the same direction, either upwards or downwards.

Chart 7

OPERATING COSTS | *Annual growth rate (in %) and contributions (in p.p.)*



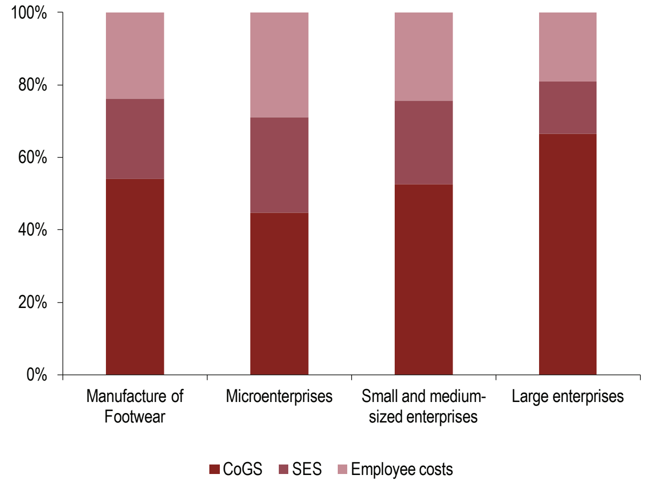
In the *Manufacture of Footwear*, CoGS had a higher share in large enterprises, whereas employee costs were more relevant in microenterprises

The analysis of the operating costs' structure by size class shows that CoGS had a higher weight in large enterprises of the *Manufacture of Footwear* than in the other size classes in 2011 (67%, compared with 53% in SMEs and 45% in microenterprises). Employee costs were more relevant in microenterprises (29%, compared with 24% in SMEs and 19% in large enterprises) (Chart 8).

14 The "operating costs" aggregate aims to draw a parallel with what the Official Chart of Accounts had defined as so, only aggregating the most relevant items of the previously established concept: Cost of Goods Sold and Materials Consumed (CoGS), Supplies and External Services and Employee Costs.

Chart 8

STRUCTURE OF OPERATING COSTS | *By size class (2011)*



BOX 1: EXTERNAL MARKET IMPORTANCE IN THE MANUFACTURE OF FOOTWEAR ACTIVITY

This Box evaluates the share of the external market on the operating activity of enterprises in the *Manufacture of Footwear* sector, based on data from Banco de Portugal's Central Balance Sheet Database[15].

Exports of goods and services in the *Manufacture of Footwear* grew 11% in 2011, exceeding growth in the NFC aggregate and in the *Manufacturing* sector by 4.6 p.p. and 0.2 p.p. respectively.

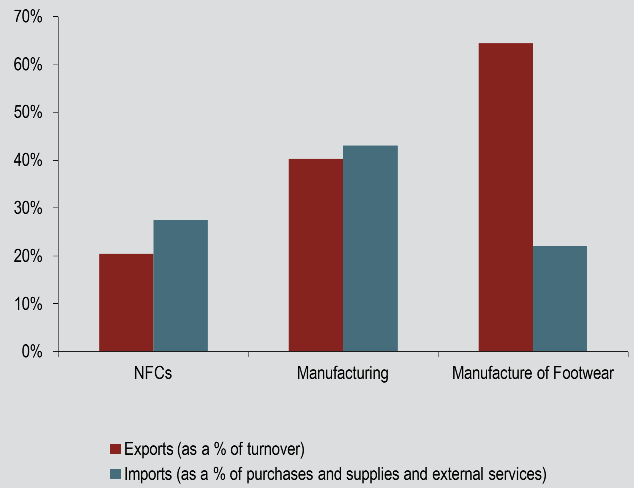
By size class, SMEs accounted for more than 80% of exports in the sector and were the class that contributed the most to the growth rate of exports in the *Manufacture of Footwear* (9 p.p., compared with 2 p.p. in large enterprises and 0.4 p.p. in microenterprises). Microenterprises, however, was the class where exports grew the most in 2011 (31%, compared with 11% in SMEs and 10% in large enterprises).

The relative share of the external market in turnover of enterprises in the *Manufacture of Footwear* sector increased between 2010 and 2011. That increase was 1 p.p. and the share in 2011 was 64% (Chart 1.1). Likewise, the relative share of the external market in activity increased also in *Manufacturing* and the NFC aggregate in 2011. In the latter aggregate, it was also due to the fall in turnover of Portuguese goods and services.

Similarly to the NFC aggregate, the share of exports in turnover in the *Manufacture of Footwear* increased in tandem with enterprise size: 18% in microenterprises, 63% in SMEs and 90% in large enterprises.

Chart 1.1

EXPORTS AND IMPORTS OF GOODS AND SERVICES (2011)



As regards imports, 22% of the acquisitions of goods and services by enterprises in the *Manufacture of Footwear* in 2011 came from abroad. Compared with 2007, this share declined 4 p.p..

By size class, the share of imports in total purchases and SES increased also in tandem with enterprise size: 6% in microenterprises, 17% in SMEs and 60% in large enterprises. However, compared with 2007, all size classes showed a decline in the relative share of imports: 5 p.p. in microenterprises, 2 p.p. in SMEs and 4 p.p. in large enterprises.

Compared with the NFC aggregate and *Manufacturing*, the relative share of imports in the *Manufacture of Footwear* sector was smaller in 2011. In 2007, however, that share in the sector had exceeded the NFC aggregate by 0.1 p.p..

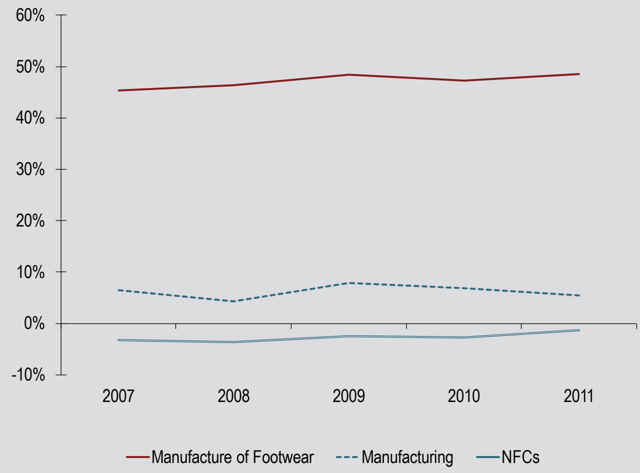
15 Data reported by enterprises within the scope of IES submissions regarding exports and imports of goods and services are subject to quality control by Banco de Portugal, especially through comparison with balance of payments data. Nevertheless, this control does not guarantee that final data from each enterprise in IES are fully coincident with corresponding data in international trade statistics.

In 2011, in terms of the balance of trade operations with abroad, exports in the *Manufacture of Footwear* exceeded imports by an amount equivalent to nearly half of turnover (48%). This result in the *Manufacture of Footwear* was far higher than in *Manufacturing* (6%) and NFCs (-1%), and the relative position was maintained from the previous years 2007-2010 (Chart 1.2).

By size, SMEs in the *Manufacture of Footwear* was the class with the highest surplus in goods and services transactions with the external market in 2011 (51%, compared with 43% in large enterprises and 14% in microenterprises).

Chart 1.2

BALANCE OF GOODS AND SERVICES TRANSACTIONS WITH THE EXTERNAL MARKETS (2007 TO 2011)



Note: The balance corresponds to the share of exports net of imports in turnover.

3.2.3 EBITDA[16]

EBITDA in the sector grew 17% in 2011, compared with -29% in NFCs

The *Manufacture of Footwear's* EBITDA grew 17% in 2011, having decreased marginally in 2010. This growth in 2011 contrasts with developments in the NFC aggregate in Portugal, where EBITDA declined 29% (Chart 9)[17].

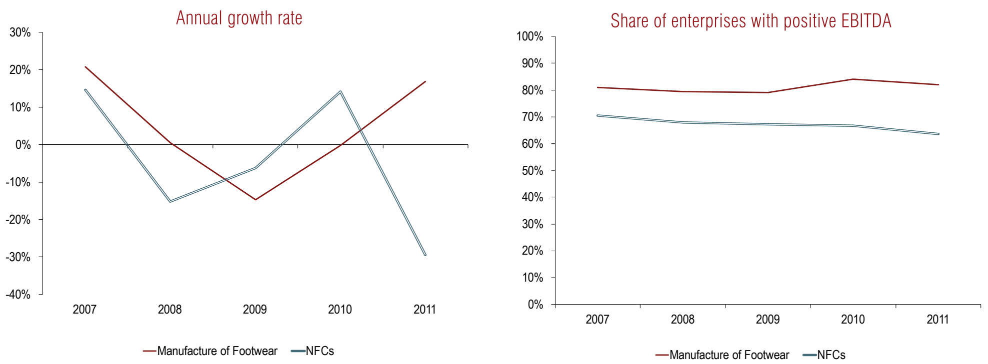
In the 2007-2011 period, the share of enterprises with positive EBITDA was higher in the *Manufacture of Footwear*, when compared with NFCs. In 2011, this was the case in 82% of the enterprises in the sector, which corresponds to roughly the level seen in 2007. In turn, the share of enterprises with positive EBITDA in NFCs was 64% in 2011, declining by 7 p.p. from 2007.

EBITDA grew in all enterprise size classes in the *Manufacture of Footwear, with exception to large enterprises*

By enterprise size in the *Manufacture of Footwear*, EBITDA grew in all classes with exception to large enterprises (11%, compared with 22% in SMEs and 38% in microenterprises). However, an analysis of enterprises in each class reveals that all large enterprises had positive EBITDA in 2011, whereas in SMEs and microenterprises that share declined to 87% and 76% respectively.

Chart 9

EBITDA



3.2.4 Return on equity[18]

In the period under review return on equity in the sector (7%) outperformed return on equity in NFCs for the first time in 2011 (3%)

The *Manufacture of Footwear's* return on equity stood at 7% in 2011, outperforming return on equity in NFCs for the first time in the 2007-2011 period[19]. Developments in return on equity in the *Manufacture of Footwear* has followed closely the behaviour of EBITDA, i.e. decreasing until 2009 and increasing in a sustainable manner in subsequent periods (Chart 10).

16 EBITDA stands for Earnings Before Interest, Taxes, Depreciation and Amortisation. It corresponds to profit and loss for the year plus costs related to interest, taxes, depreciation and amortisation.

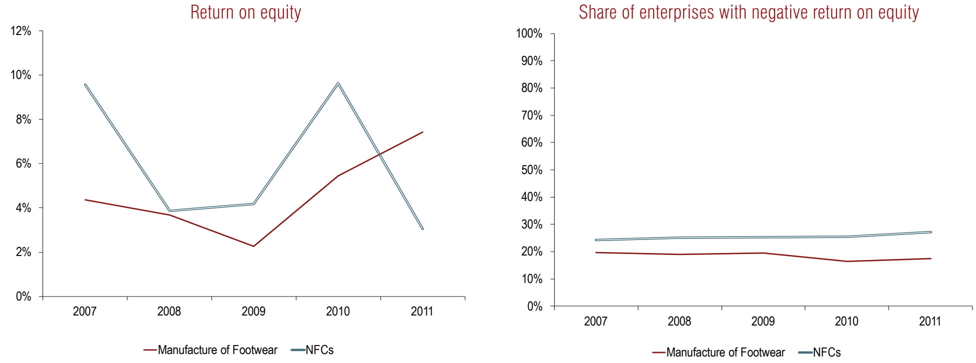
17 EBITDA in 2010 includes the sale of Portugal Telecom's stake in the Brazilian enterprise Vivo, which yielded a revenue. This has an impact on developments in total NFCs.

18 Return on equity was calculated as the year's total profit to equity ratio, and measures return on equity invested by shareholders. Note that return on equity calculated on an individual basis, as mentioned in *Central Balance Sheet Database Study | 6, December 2011 – New Enterprise and Sector Tables: Adjustment to the Accounting Standards System*, is only carried out on enterprises with positive equity levels.

19 As was mentioned with regard to EBITDA, in 2010 the return on equity level was also affected by the sale of Portugal Telecom's stake in the Brazilian enterprise *Vivo*, through the revenue obtained by enterprises from *Portugal Telecom Group*.

Chart 10

RETURN ON EQUITY



The microenterprise class had the highest return on equity in the sector in 2011 (15%)

In terms of size class, microenterprises had the highest return on equity in the *Manufacture of Footwear* in 2011 (15%), followed by large enterprises (8%) and SMEs (7%). Compared with 2010, these values reflect a 4 p.p. decline in large enterprises and increases of 3 p.p. in SMEs and 6 p.p. in microenterprises. Microenterprises, which in the previous period (2007-2009) had shown negative return on equity, had a sizeable recovery.

The share of enterprises with negative return on equity in this sector (17%) was lower than in NFCs (27%)

Finally, it should be mentioned that in 2011 17% of the enterprises in the *Manufacture of Footwear* sector had negative return on equity. Nevertheless, the share of enterprises with negative return in this sector was lower than in NFCs (27%) and even improved from 2007, when it had stood at 20% (in NFCs, this share declined by 3 p.p.).

3.3 Financial situation

3.3.1 Financial structure

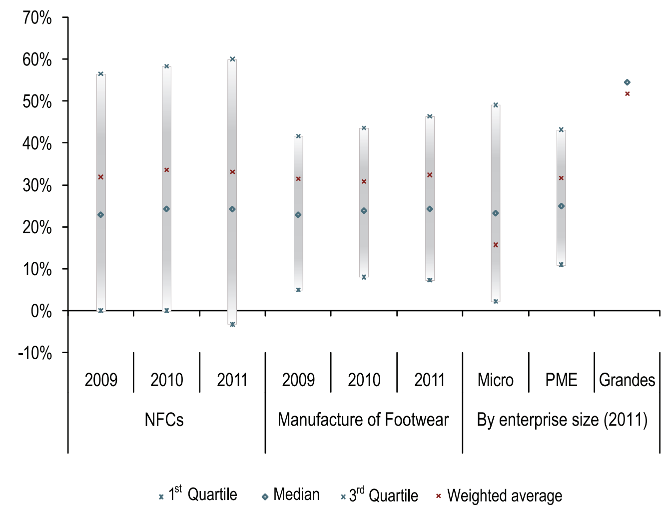
The capital ratio in the sector was much similar to that of the NFC aggregate (32% and 33%, respectively)

According to Banco de Portugal's Central Balance Sheet Database data, the *Manufacture of Footwear's* capital ratio stood at 32% in 2011, a 2 p.p. increase from 2010. The capital ratio value in this sector was much similar to that of the NFC aggregate (33%). In the *Manufacture of Footwear*, however, enterprises had more homogeneous capital ratio levels, whereas all enterprises as a whole in Portugal showed more varied results (the interquartile range was 39 p.p. in the *Manufacture of Footwear* sector and 63 p.p. in NFCs) (Chart 11).

The distribution of results in this sector's enterprises shows that 75% of the enterprises in the *Manufacture of Footwear* had a capital ratio level above 7% in 2011. The first distribution quartile was negative in the NFC aggregate, which means that at least 25% of the enterprises had higher liabilities than assets, i.e. activity in those enterprises was fully financed by debt.

Chart 11

CAPITAL RATIO | *Quartile distribution and weighted average*



Note: Due to the low number of enterprises, the first and third distribution quartiles in the large enterprise size class are not indicated.

The capital ratio level increased in tandem with enterprise size class

By size class, the sector under review shows a direct relationship between the capital ratio level and enterprise size. In large enterprises, 52% of the assets were financed by equity, compared with 32% in SMEs and 16% in microenterprises.

The capital ratio level in the *Manufacture of Footwear* reveals that debt played an important role in financing the sector's activity, suggesting a more detailed analysis of its characteristics.

Compared with NFCs, the relative share of financial debt in liabilities was lower in the *Manufacture of Footwear…*

Chart 12 details debt financing sources in 2011, showing that financial debt (bank loans, debt securities and the financing from group enterprises) and trade credits represented, as a whole, approximately two third of enterprise liabilities in the *Manufacture of Footwear* sector, similarly to *Manufacturing* and the NFC aggregate. The share of financial debt in the *Manufacture of Footwear*, however, was much lower (29%), compared with the NFC aggregate (53%) and *Manufacturing* (46%).

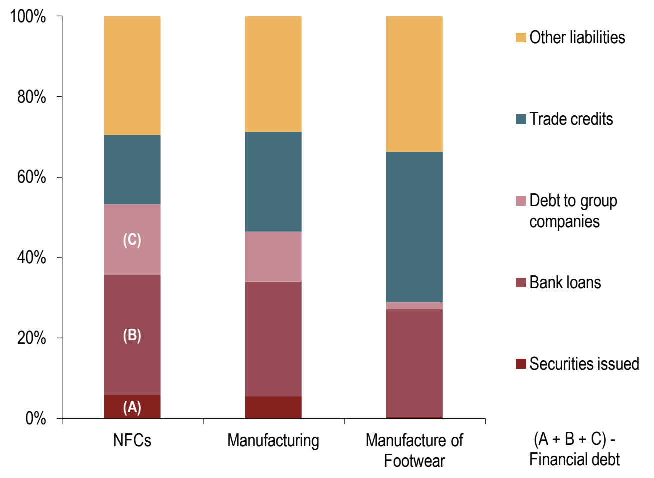
Similarly, the composition of financial debt was also different. In the *Manufacture of Footwear* there was virtually no financing through the issue of securities or group enterprises. Indeed, almost all financial debt in the sector corresponded to bank loans.

… while in turn the share of trade credits was higher

Financial debt was offset by trade credits, which were particularly important in the sector under review, given their share of 38% in 2011, compared with 17% in NFCs.

Chart 12

LIABILITIES STRUCTURE (2011)



Note: This refers to the set of interest bearing debt obtained through issuing debt securities, debt from banks and other financial institutions and debt from group companies. The analysis excludes liabilities' components considered eminently related with accounting procedures, such as deferrals and provisions. Thus, "Other liabilities" includes debt to the Public Administration and other public entities, debt to shareholders and other current liabilities and accounts payable.

By size class, the larger the enterprise size, the greater the relative importance of financial debt. Therefore, around half the liabilities of large enterprises comprised financial debt (43%), whereas in the other size classes that share was 30% in SMEs and 15% in microenterprises. Trade credits, in turn, represented 39% in SMEs and 32% in microenterprises and large enterprises. Finally, other liabilities in microenterprises represented more than half of the liabilities (53%).

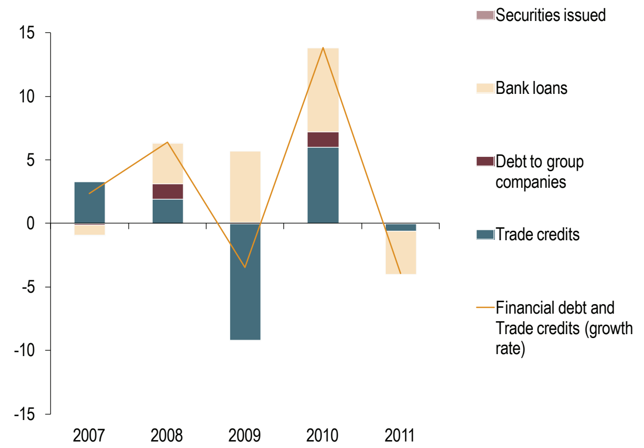
The larger the enterprise size, the grater the importance of financial debt in debt financing

The analysis of financial debt and trade credits as a whole shows a decline of around 4% in the *Manufacture of Footwear* in 2011 (Chart 13). Behind this negative trend was a key contribution of bank loans (3 p.p.) and trade credits (1 p.p.). In contrast, group enterprise financing made a marginally positive contribution (0.1 p.p.).

In 2011, bank loans were behind developments in the sector's financial debt

Chart 13

EVOLUTION OF FINANCIAL DEBT AND TRADE CREDIT | *Annual growth rate (in %) and contributions (in p.p.)*



BOX 2 - LOANS FROM RESIDENT CREDIT INSTITUTIONS – CHARACTERISATION BASED ON THE CENTRAL CREDIT REGISTER[20]

Bank loans were a very important financial debt component in the *Manufacture of Footwear* (93%) in 2011. Data from Banco de Portugal's Central Credit Register make it possible to analyse loans from credit institutions[21] (CI) resident in Portugal, which in 2011 represented almost all bank loans granted to the sector and involving around 71% of enterprises in the *Manufacture of Footwear.*

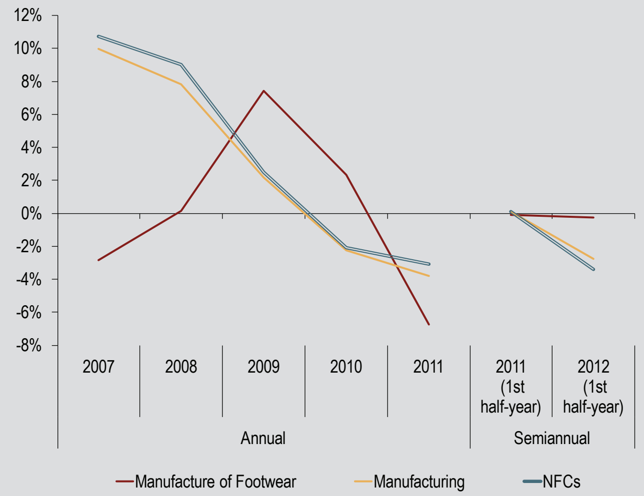
Compared with the other *Manufacturing* activities, totalling 95[22], the *Manufacture of Footwear* stood in the 17th position at the end of 2011, in terms of the overall amount of credit overdue to the resident financial system.

Nevertheless, loans obtained by the *Manufacture of Footwear* from resident CI had declined 7% at the end of 2011, exceeding the contraction in *Manufacturing* (4%) and NFCs (3%). At the end of the first half of 2012, in turn, credit to the *Manufacture of Footwear* virtually stagnated, compared with end 2011, while in the other two enterprise aggregates it fell 3% (Chart 2.1).

All size classes saw a cut in credit at the end of 2011: 12% in large enterprises, 6% in SMEs and 4% in microenterprises. At the end of the first half of 2012, compared with the end of 2011, credit obtained from resident CI increased slightly only in the SMEs class (0.1%).

Chart 2.1

EVOLUTION OF FINANCING FROM RESIDENT CI | *Growth rate – values at the end of period*



20 The Central Credit Register is a database managed by Banco de Portugal, which gathers information provided by participating entities (credit-granting resident institutions) regarding credit granted. For further information, please refer to Supplement 1/2005 to Banco de Portugal's Statistical Bulletin, *A New Source for Monetary and Financial Statistics: the Central Credit Register.*

21 It includes banks, savings banks and mutual agricultural credit banks (generally called 'banks' in this *Study*), and also factoring companies, credit purchase financing companies and financial leasing companies. Over 95% of credit granted by resident credit institutions to NFCs in 2011 came from banks.

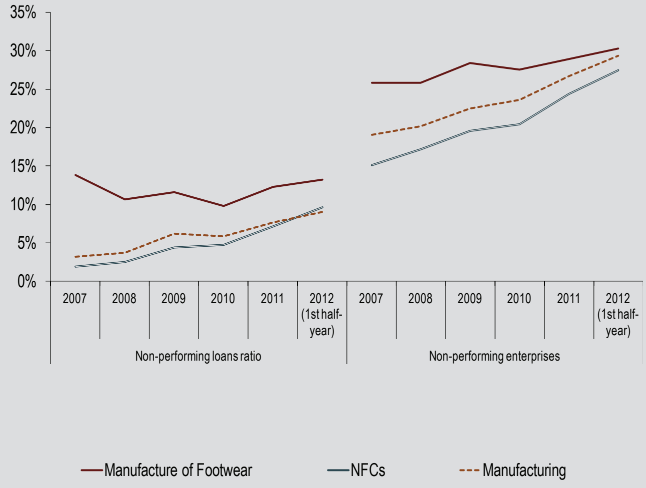
22 Corresponds to total CAE Rev.3 groups included in the *Manufacturing* sector.

At the end of the first half of 2012, the non-performing ratio[23] in the *Manufacture of Footwear* was 13%, remaining above that of *Manufacturing* (9%) and NFCs (10%) (Chart 2.2). This ratio has declined in the sector under review (0.6 p.p.) since end 2007, and has increased 6 p.p. in *Manufacturing* and 8 p.p. in NFCs. In the most recent period, however, the non-performing ratio in the *Manufacture of Footwear* has followed an upward trend.

By size class in the *Manufacture of Footwear*, there is a direct relationship between the non-performing level and enterprise size. At the end of June 2012, around 40% of credit to microenterprises was in default, compared with 12% in SMEs and 4% in large enterprises. Also, from the end of 2007 to the end of the first half of 2012, the value of this ratio declined only in the SMEs class (2 p.p.).

Chart 2.2

NON-PERFORMING LOANS RATIOS AND NON-PERFORMING ENTERPRISES *(at the end of period)*



The decline in credit overdue in the *Manufacture of Footwear* did not find a match in the development of the share of non-performing enterprises in the period under review. Indeed, from end 2007 to the end of June 2012, this share rose 4 p.p., which, however, was much shorter than 10 p.p. in *Manufacturing* and 12 p.p. in the NFC aggregate. At the end of June 2012 the *Manufacture of Footwear* registered 30% of non-performing enterprises, compared with 29% in *Manufacturing* and 28% in NFCs.

23 The non-performing ratio, also known as the credit overdue ratio, is based on information on credit granted by resident credit institutions in the Central Credit Register of Banco de Portugal, by calculating the ratio of the amount of credit overdue to total credit obtained. Credit is deemed to be overdue when the respective repayments are not paid on the due payment dates. Credit customers may be in default as regards the principal and/or interest and other expenditure. In the case of principal this is deemed to have taken place once the maximum period of 30 days after maturity has elapsed without settlement; and in the case of interest and other expenses, once the due date for settlement has passed.

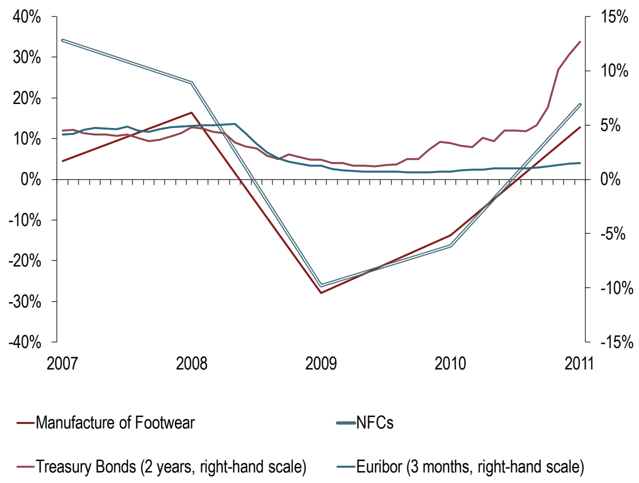
3.3.2 Financial costs and solvency

In 2011 enterprise financing costs reflected the effects of the sovereign debt crisis in the euro area. Interests paid grew 13% in the *Manufacture of Footwear* sector and 18% in NFCs. This result was part of the development trend of interests paid started in 2010, both in the sector and in NFCs, even though interest in that year had declined in both aggregates (Chart 14).

Interest paid grew 13% in the *Manufacture of Footwear* and 18% in the NFC aggregate

Chart 14

INTERESTS PAID | *Annual growth rate and market interest rates*



Additional data on enterprise size shows that in 2011 only the microenterprise class saw a decline in interests paid (2%), probably as a result of the 4% decrease in bank loans obtained from resident credit institutions. In contrast, interests paid grew 17% in large enterprises and 14% in SMEs.

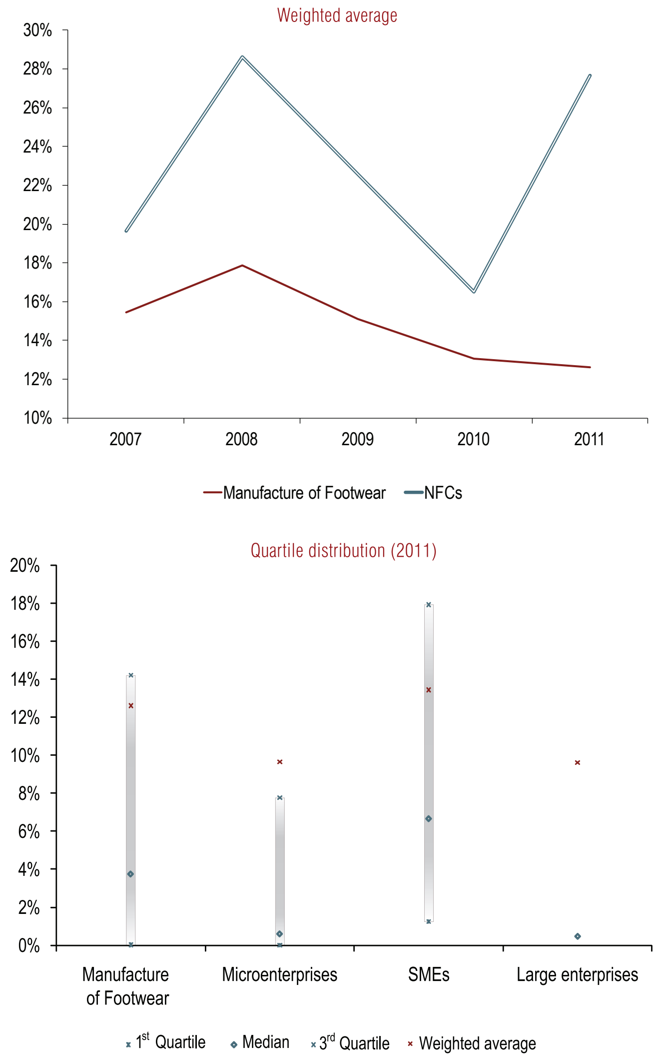
The smaller weight of financial debt in the *Manufacture of Footwear* financing, compared with the NFC aggregate in Portugal, helps explain that, over the whole period under review, the proportion of EBITDA consumed by interest payments had been lower in the sector under review (Chart 15). From 2008 to 2010 both aggregates successively recorded lower financial pressure levels. In 2011, however, the *Manufacture of Footwear* maintained the 2010 level (13%), and in NFCs financial pressure rose to levels close to those seen in 2008 (28%).

Financial pressure in the sector, measured by the share of interest paid in EBITDA, was lower than in the NFC aggregate (13% and 28%, respectively)

By size class, financial pressure in the *Manufacture of Footwear* was higher in SMEs (13%) in 2011. This was however the size class with the most varied results. Microenterprises showed an average value in line with the value in large enterprises (10%), representing a significant improvement from 2009 (35%). This may be explained not only by an improvement in EBITDA, but chiefly by a decline in the volume of bank loans obtained from resident credit institutions.

Chart 15

WEIGHT OF INTERESTS IN EBITDA



Note: Due to the low number of enterprises, the first and third distribution quartiles in the large enterprise size class are not indicated.

3.3.3 Trade credit financing

Trade credit represented 38% of the sector's financing

Trade credit was an important source of enterprise financing in the *Manufacture of Footwear*, given that it represented 38% of total liabilities in 2011, compared with 17% in NFCs as a whole. By size class, this type of financing represented 39% of SMEs' liabilities and 32% of liabilities from both large enterprises and microenterprises.

In 2011 trade credits obtained by the *Manufacture of Footwear* declined slightly (1%). By size class, only large enterprises grew in this indicator (6%), as both SMEs and microenterprises recorded declines (1% and 3%, respectively).

Average days sales outstanding in the *Manufacture of Footwear* were 75 days in 2011, having declined by 18 days in the 2007-2011 period. Therefore, average days sales outstanding in the sector, which in recent years had been showing a trend towards the average days outstanding of NFCs, was lower than in NFCs (76 days) for the first time in 2011 (Chart 16).

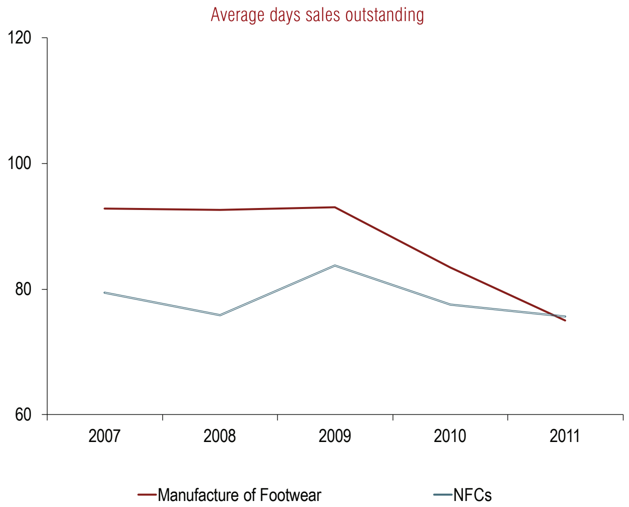
Similarly, average days payable outstanding in the *Manufacture of Footwear* was much similar to that in NFCs in 2011 (83 and 84 days respectively). Development-wise, average days payable outstanding in the *Manufacture of Footwear* sector have declined since 2007 (16 days), whereas in the NFC aggregate they have increased (by 2 days).

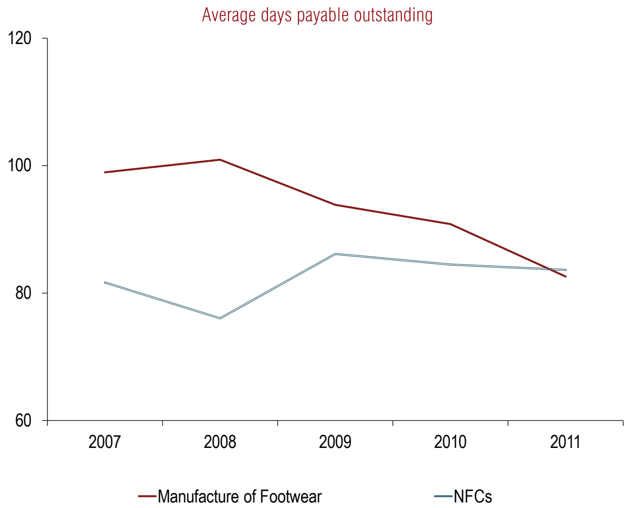
Average days sales outstanding in the *Manufacture of Footwear* was 75 days in 2011 (76 days in NFCs)

Average days payable outstanding in the *Manufacture of Footwear* was 83 days in 2011 (84 days in NFCs)

Chart 16

AVERAGE DAYS SALES OUTSTANDING AND AVERAGE DAYS PAYABLE OUTSTANDING | *Days*

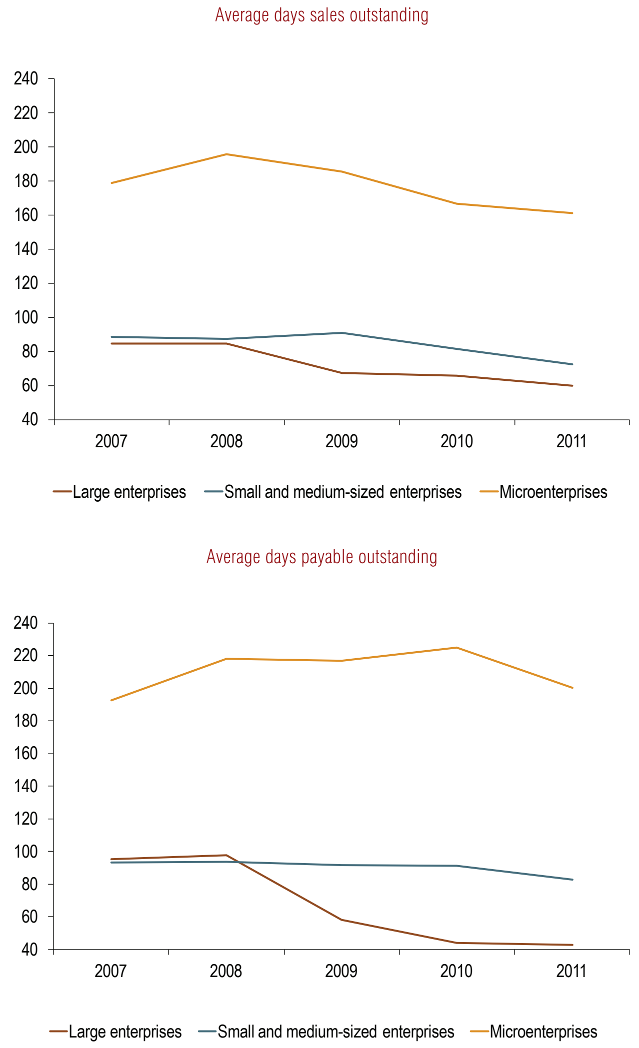




The decline in average days sales outstanding was broadly based across all size classes, with more days in smaller-sized classes: 60 days in large enterprises, 72 days in SMEs and 161 days in microenterprises (Chart 17).

Chart 17

AVERAGE DAYS SALES OUTSTANDING AND AVERAGE DAYS PAYABLE OUTSTANDING | *By size class, days*



From 2007 to 2011 average days payable outstanding increased only in the microenterprise size class

In the 2007-2011 period, average days payment outstanding showed a downward trend in large enterprises (-52 days) and SMEs (-11 days), while increasing in microenterprises (+8 days).

Average days outstanding are an important indicator, as it makes it possible to analyse the time delay of receivables and payables of enterprises' trade credits. However, in order to evaluate whether enterprises finance themselves through this type of credit, it is necessary to calculate a net indicator of trade credit financing. For the purpose of this *Study*, the indicator compares the differential between accounts payable and accounts receivable versus turnover (Chart 18). A negative value in this indicator shows that accounts receivable are higher than accounts payable, meaning that overall the enterprise is financing its clients; a positive value shows that accounts payable are higher than accounts receivable, meaning that the enterprise is obtaining financing through its suppliers.

As regards the trade credit balance, net financing was negative in the *Manufacture of Footwear* sector over the whole horizon under review, and was also more negative than in the NFC sector. This means that the *Manufacture of Footwear*, in net terms, has not obtained financing through trade credits. In recent years, however, this indicator has improved (-4% in 2011, reflecting a 2 p.p. improvement from 2007).

In net terms, the sector has not obtained financing through trade credit

Yet, the trend seen in net financing through trade credit did not extend to all size classes. In effect, this indicator declined 3 p.p. in large enterprises from 2007 to 2011, whereas in SMEs and microenterprises it improved by 2 p.p. and 5 p.p. respectively. In 2011 the trade credit balance as a percentage of turnover was -8% in microenterprises, -7% in large enterprises and -4% in SMEs.

Chart 18

NET TRADE CREDIT FINANCING | *As a % of turnover*

Note: Net trade credit financing was calculated using the difference between accounts payable and accounts receivable.

Annex

MAIN INDICATORS FOR THE MANUFACTURE OF FOOTWEAR

	Characterisation of the sector		Activity			Financing						Profitability
	Turnover held by large enterprises	Turnover in 10% of major enterprises	Growth rates		Capital ratio	Growth rates		Net trade credit financing (% of turnover)	Weight interest paid on EBITDA	Loans from resident Credit institutions (June 2012)		Return on equity
			Turnover	EBITDA		Trade credits	Bank loans			% of non--perfoming enterprises	Non-performing ratio	
NFCs	45%	89%	-5%	-29%	33%	-5%	-8%	-2%	28%	28%	10%	3%
Manufacturing	51%	88%	4%	-9%	36%	-5%	-4%	-5%	18%	30%	9%	5%
Manufacture of Footwear	13%	69%	9%	17%	32%	-1%	-8%	-4%	13%	30%	13%	7%

	Weight of the *Manufacture of Footwear* sector					
	Number of enterprises		Turnover		Number of employees	
	2001	2011	2001	2011	2001	2011
Manufacturing	4.1%	4.3%	3.2%	2.5%	6.7%	6.4%
NFCs	0.6%	0.5%	0.8%	0.6%	2.1%	1.4%

METHODOLOGICAL SUMMARY

Capital ratio: Ratio between equity and total assets.

EBITDA: Earnings before interest, taxes, depreciation and amortisation. The new accounting standard (SNC - *Sistema de Normalização Contabilística*, Accounting Normalisation System) ended the concept of extraordinary expenses and revenues, and also stopped allowing unambiguous identification of financial components. Thus the decision was taken to use the EBITDA definition as under the Accounting Normalisation System, adjusting the data reported under the old standard (*POC - Plano Oficial de Contabilidade*, Official Chart of Accounts) where possible, for the 2007-2009 period.

Economic sector: The enterprises classified under Section O – *Public administration and defence*; *compulsory social security*, Section T – *Activities of households as employers*; *undifferentiated goods- and services-producing activities of households for own use* and Section U – *Activities of extraterritorial organisations and bodies* in CAE-Rev.3, were excluded from this analysis as they do not fall within the NFC institutional sector. Also excluded were enterprises in Section K – *Financial and insurance activities,* which groups together non-financial holding enterprises (with the SGPS denomination) not involved in subsidiary management, which, despite still belonging to the NFC sector (as regulated under ESA 95), were not analysed in this *Study* due to their very specific characteristics that set them apart from other NFCs.

Quartile distribution: In order to calculate quartiles, the enterprise values for the indicator under analysis are considered in ascending order. The first quartile corresponds to the value of the enterprise in the position corresponding to 25% of the ordered sample (i.e. where 25% of enterprises show a lower value for that indicator and 75% a higher value). The second quartile (or median) corresponds to 50%, i.e. the indicator value for this enterprise divides the breakdown into two halves, where one half of the enterprises show a higher value and the other half a lower value. The third quartile corresponds to the 75% position of the ordered sample (75% of enterprises show a lower value for that indicator, and only 25% show a higher value). The interquartile range (obtained as the difference between the third and first quartiles) provides an indication of distribution dispersion. For further details on the calculation of these statistical measures, please refer to the Central Balance Sheet Study | 6, December 2011 – *New Enterprise and Sector Tables: Adjustment to the Accounting Normalisation System.*

Return on equity: Ratio between net income for the year and equity. As both items (numerator and denominator) may be positive or negative, at individual level, the indicator is only calculated in situations where equity is positive.

Size of enterprise: Enterprises were grouped into three classes: microenterprises, small and medium-sized enterprises (SMEs) and large enterprises. The criteria for this classification were taken from the European Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises. According to this Recommendation, microenterprises are defined as enterprises which employ fewer than ten persons and whose annual turnover and/or balance sheet total does not exceed EUR 2 million. For the purpose of this *Study*, small and medium-sized enterprises (SMEs) exclude microenterprises, and are defined as those enterprises which employ fewer than 250 persons and have an annual turnover that does not exceed EUR 50 million and/or an annual balance sheet total that does not exceed EUR 43 million. Large enterprises are any enterprises which are not classified above.

REFERENCES

[1] Banco de Portugal (2005), *A New Source for Monetary and Financial Statistics: the Central Credit Register,* Supplement 1/2005 to the Statistical Bulletin, April 2005.

http://www.bportugal.pt/en-US/Estatisticas/PublicacoesEstatisticas/Tumbnails%20List%20Template/sup-be-1-2005-en.pdf

[2] Banco de Portugal (2005), *Statistics on Non-Financial Corporations from the Central Balance Sheet Database*, Supplement 5/2005 to the Statistical Bulletin, December 2005.

http://www.bportugal.pt/en-US/Estatisticas/PublicacoesEstatisticas/Tumbnails%20List%20Template/sup-be-5-2005-en.pdf

[3] Banco de Portugal (2008), *Simplified reporting: Inclusion of Simplified Corporate Information in the Statistics on Non-Financial Corporations from the Central Balance Sheet Database*, Supplement 1/2008 to the Statistical Bulletin, May 2008.

http://www.bportugal.pt/en-US/Estatisticas/PublicacoesEstatisticas/Tumbnails%20List%20Template/sup-be-1-2008-en.pdf

[4] Banco de Portugal (2010), *Structure and dynamics of non-financial corporations in Portugal*, Central Balance Sheet Studies | 2, December 2010.

http://www.bportugal.pt/en-US/ServicosaoPublico/CentraldeBalancos/Publicacoes/Tumbnails%20List%20Template/Structure%20and%20dynamics%20of%20non-financial%20corporations%20in%20Portugal.pdf

[5] Banco de Portugal (2010), *Sectoral analysis of non-financial corporations in Portugal, Central Balance Sheet* Studies | 3, September 2011.

http://www.bportugal.pt/en-US/ServicosaoPublico/CentraldeBalancos/Publicacoes/Tumbnails%20List%20Template/Sectoral%20analysis%20of%20non-financial%20corporations%20in%20Portugal.pdf

[6] Banco de Portugal (2011), *New enterprise and sector tables: adjustment to the accounting normalisation system*, Central Balance Sheet Studies | 6, December 2011.

http://www.bportugal.pt/en-US/ServicosaoPublico/CentraldeBalancos/Publicacoes/Tumbnails%20List%20Template/New%20enterprise%20and%20sector%20tables.pdf

[7] Banco de Portugal (2011), *Financial Stability Report*, November 2011.

http://www.bportugal.pt/en-US/EstudosEconomicos/Publicacoes/RelatorioEstabilidadeFinanceira/Pages/RelatoriodeEstabilidadeFinanceira.aspx

[8] Banco de Portugal (2012), *Annual Report – The Portuguese economy in 2011*, May 2012.

http://www.bportugal.pt/en-US/EstudosEconomicos/Publicacoes/RelatorioAnual/Pages/RelatorioAnual.aspx

[9] Banco de Portugal (2012), *Economic Bulletin – Summer* | 2012, July 2012.

http://www.bportugal.pt/en-US/EstudosEconomicos/Publicacoes/BoletimEconomico/BEAnteriores/Documents/bol_summer_e.pdf

[10] Banco de Portugal (2012), *Sectoral analysis of non-financial corporations in Portugal 2011/2012*, **Central Balance Sheet Studies | 8, November 2012. (Only Portuguese-language version available)**

http://www.bportugal.pt/pt-PT/ServicosaoPublico/CentraldeBalancos/Publicacoes/Biblioteca%20de%20Tumbnails/Estudos%20da%20CB%208_2012.pdf

[11] Decree-Law No 381/2007 of 14 November. (Only Portuguese-language version available)

http://dre.pt/pdf1sdip/2007/11/21900/0844008464.pdf

[12] INE (2012), Enterprises in Portugal – 2010. (Only Portuguese-language version available)

http://www.ine.pt/ngt_server/attachfileu.jsp?look_parentBoui=143261306&att_display=n&att_download=y

[13] Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium--sized enterprises (2003/361/EC).

http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2003:124:0036:0041:en:PDF

[14] Council Regulation (EC) No 2223/96 of 25 June 1996 on the European system of national and regional accounts in the Community.

http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31996R2223:EN:HTML

CENTRAL BALANCE SHEET STUDIES

1 | ENTERPRISE AND SECTOR TABLES, November 2010

2 | STRUCTURE AND DYNAMICS OF NON-FINANCIAL CORPORATIONS IN PORTUGAL, December 2010

3 | SECTORAL ANALYSIS OF NON-FINANCIAL CORPORATIONS IN PORTUGAL, September 2011

4 | SECTORAL ANALYSIS OF MANUFACTURE OF FOOD PRODUCTS, November 2011

5 | SECTORAL ANALYSIS OF ACCOMMODATION AND FOOD SERVICE ACTIVITIES, November 2011

6 | NEW ENTERPRISE AND SECTOR TABLES: ADJUSTMENT TO THE ACCOUNTING STANDARDS SYSTEM, December 2011

7 | SECTORAL ANALYSIS OF NON-FINANCIAL CORPORATIONS IN PORTUGAL 2010/2011, April 2012

8 | SECTORAL ANALYSIS OF NON-FINANCIAL CORPORATIONS IN PORTUGAL 2011/2012, November 2012

9 | SECTORAL ANALYSIS OF THE MANUFACTURE OF TEXTILES AND WEARING APPAREL, November 2012

10 | SECTORAL ANALYSIS OF THE MANUFACTURE OF FOOTWEAR, November 2012