

# SECTORAL ANALYSIS OF NON-FINANCIAL CORPORATIONS IN PORTUGAL 2009-2014

Central Balance Sheet Studies

November 2014



BANCO DE PORTUGAL  
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# Foreword

At the start of October 2014, Banco de Portugal started to release statistics incorporating the changes introduced by revisions to the international methodological manuals, namely the European System of National and Regional Accounts (ESA 2010). The main change in the non-financial corporations (NFC) sector consists in the definition of its population, as some entities belonging to the NFC sector were reclassified in the financial corporation and general government sectors.

This analysis is based on data obtained from *Informação Empresarial Simplificada* - IES (Simplified Corporate Information) 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 Statistics Portugal (Instituto Nacional de Estatística – INE).

IES is usually reported within six and a half months of the financial year-end, which, for most enterprises resident in Portugal, corresponds to 15 July of the year following the reference year. This analysis uses IES data from 2013, the latest data at the time of this publication.

Data reported by enterprises through IES are subject to quality control by Banco de Portugal mainly to ensure that the accounting information for the economic year is coherent and complete and that the main aggregates are consistent throughout the years.

In addition to information obtained through IES, this publication features complementary data on the financial debt of enterprises in Portugal available in other databases of the Statistics Department of Banco de Portugal, in particular the Central Credit Register (CCR).



# Summary

In 2013, of 380,000 active enterprises in Portugal, 89% were microenterprises. However, large enterprises, accounting for only 0.2% of the number of enterprises, generated the highest share of turnover (43%). Versus 2009, there was an increase in the relative number of microenterprises (+2 p.p.), although turnover concentrated in large enterprises (+4 p.p.).

This characterisation of the Portuguese corporate landscape is all the more evident as in 2013 the 100 largest enterprises in Portugal ('top 100') accounted for 27% of turnover and 7% of the number of employees of the non-financial corporations (NFC) sector. Turnover per employee generated by this group of 100 enterprises was on average five times higher than the other enterprises.

By economic activity sector, 74% of NFCs were in the services sectors (trade and other services), accounting for 59% of turnover. Versus 2009, in terms of number of companies the sectoral structure underwent little change. However, in terms of turnover there was a noticeable increase in the importance of manufacturing (+4 p.p.), to the detriment of construction (-4 p.p.).

The number of active enterprises in Portugal rose by 2% in 2013, more dynamic with microenterprises and the agriculture and fishing sector.

With regard to activity indicators, turnover recorded marginally positive developments in 2013 (0.2%), following a contraction of approximately 6% in 2012.

Joint developments in operating income and expenses led to a 12% increase in EBITDA in 2013. Improvements in this indicator were reflected in return on equity, which versus 2012 rose by 3 p.p., resuming positive figures (3%) in 2013.

Large enterprises continued to record the highest returns (7%), although growth was sharper in SMEs and microenterprises. In sectoral terms, electricity and water continued to be the sector with the highest return on equity (14%), as opposed to agriculture and fishing (-1%)

and construction (-4%), despite some recovery from 2012.

Although 29% of enterprises continued to record negative equity, the average level of the capital ratio of non-financial corporations in 2013 rose by 2 p.p. from 2009, to stand at 30%.

Bank loans were the main source of third-party equity (28%), followed by intra-group financing (20%) and trade credits (16%).

Interest expenses declined in 2013, which jointly with positive developments in EBITDA contributed to a decline in the financial pressure on the NFC sector.

Trade credit financing accounted for 16% of the liabilities of non-financial corporations in 2013. However, in net terms the NFC sector did not obtain financing through its trade credit, and financed its customers more than it obtained financing from its suppliers.

Data available for 2014 compiled by the Central Credit Register of Banco de Portugal show that the total stock of loans to NFCs in June 2014 accounted for 78% of the figure observed in 2009. The downward trend of credit granted to enterprises was accompanied by a deterioration of its quality. At the end of June 2014, the non-performing loans ratio, at 14.7%, was 10.3 p.p. higher than at the end of 2009.

In sectoral terms, at the end of the first half of 2014 construction had the highest non-performing loans ratio (25.9%), followed by trade (16.2%). By contrast, electricity and water recorded the lowest value (1.8%).





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# SECTORAL ANALYSIS OF NON-FINANCIAL CORPORATIONS IN PORTUGAL, 2009-2014

1. Introduction
2. Structure and dynamics
3. Economic and financial analysis

Box 1 | Bank loans

Box 2 | 100 largest enterprises



# 1. Introduction

The study *Sectoral Analysis of Non-Financial Corporations in Portugal 2009-2014* evaluates the economic and financial situation of non-financial corporations (NFCs)<sup>1</sup> resident in Portugal, based on information compiled by the Central Balance Sheet Database of Banco de Portugal.<sup>2</sup>

This publication updates Central Balance Sheet Studies No 12 - *Structure and dynamics of non-financial corporations in Portugal 2006-2012* and No 13 - *Sectoral analysis of non-financial corporations in Portugal 2012-2013*, both of November 2013. The analysis focuses chiefly on the 2009-13 period, on the basis of *Informação Empresarial Simplificada* - IES (Simplified Corporate Information), while the first half of 2014 is also analysed where additional information is available, specifically regarding financing by bank loans.

The results published complement aggregate data on non-financial corporations,<sup>3</sup> also derived from the Central Balance Sheet Database and released within the scope of Banco de Portugal's statistical publications.<sup>4</sup> Based on the exploitation of microeconomic data, this study seeks to provide additional information for the NFC sector and for the economic activity sectors and size classes comprised in it. This is intended to complement the average results usually calculated for aggregates and identify / explore heterogeneous groups of enterprises taking into account distinctive features.

The study begins with a brief reference to the structure and dynamics of the NFC sector in the 2009-13 period. Afterwards, it reviews recent activity developments and seeks to determine the extent to which these are reflected in profitability. This involves breaking down the effects that influence this profitability into operating and financial components, while providing some information on enterprises' solvency capacity.

Based on complementary information available in other databases from Banco de Portugal's Statistics Department, details are given on the financial debt of Portuguese enterprises, specifically bank loans. Finally, it focuses on all 100 largest enterprises in Portugal.

The Annex provides a methodological summary and the definition of the main concepts used throughout the study. The statistical series under analysis (in Excel format) can also be found on Banco de Portugal's website.

## 2. Structure and dynamics

In 2013 the NFC institutional sector encompassed around 380,000 enterprises, of which 89% were **microenterprises**. **Large enterprises**, representing only 0.2% of the total, accounted for 43% of the sector's turnover (Chart 1).

By economic activity sector, **other services** (47%) and **trade** (27%) were the most relevant sectors in terms of the number of enterprises. When considering turnover, **trade** (37%) and **manufacturing** (26%) played a key role (Chart 2).

Versus 2009 there was an increase in the weight of **microenterprises** (+2 p.p.) in terms of the number of enterprises, although turnover concentrated in **large enterprises**

(+4 p.p.). The sectoral structure in terms of the number of enterprises underwent little change. However, there was a noticeable increase in the importance of **manufacturing** (+4 p.p.) to the detriment of **construction** (-4 p.p.) in terms of turnover.

Crossing size with economic activity shows that in 2013 **microenterprises** were dominant in all economic activity sectors in terms of the number of enterprises, their weight ranging between 71% in **electricity and water** and 93% in **other services** (Table 1).

Chart 1 • Structures | By size class (2009 and 2013)

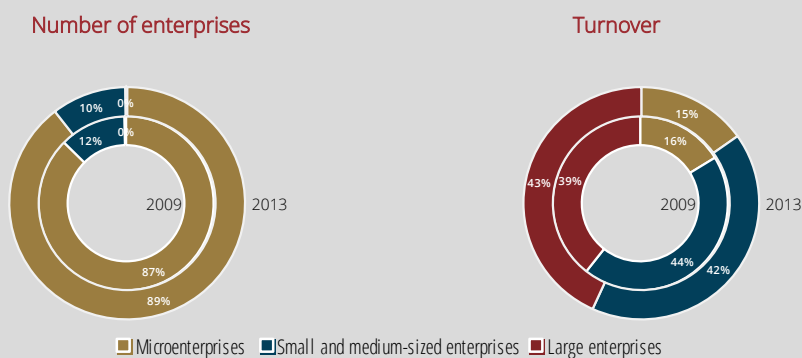
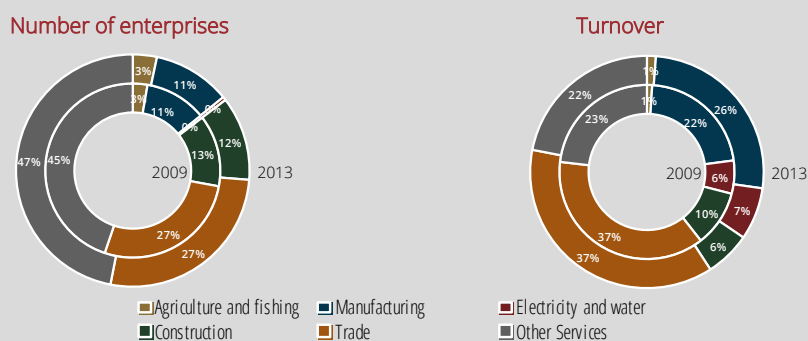


Chart 2 • Structures | By economic activity sector (2009 and 2013)



**Table 1 • Structures | By economic activity sector and size class (2013)**

	Number of enterprises			Turnover		
	Microenterp.	SMEs	Large enterprises	Microenterp.	SMEs	Large enterprises
<b>Total</b>	<b>89.4%</b>	<b>10.3%</b>	<b>0.2%</b>	<b>15.3%</b>	<b>41.5%</b>	<b>43.2%</b>
Agriculture and fishing	91.7%	8.2%	0.1%	40.0%	56.6%	3.5%
Manufacturing	71.5%	27.8%	0.7%	5.2%	42.7%	52.0%
Electricity and water	71.3%	25.9%	2.8%	1.7%	17.3%	81.0%
Construction	89.0%	10.9%	0.1%	20.8%	45.6%	33.6%
Trade	90.7%	9.1%	0.2%	20.0%	44.8%	35.2%
Other services	92.9%	6.9%	0.2%	20.7%	40.6%	38.7%

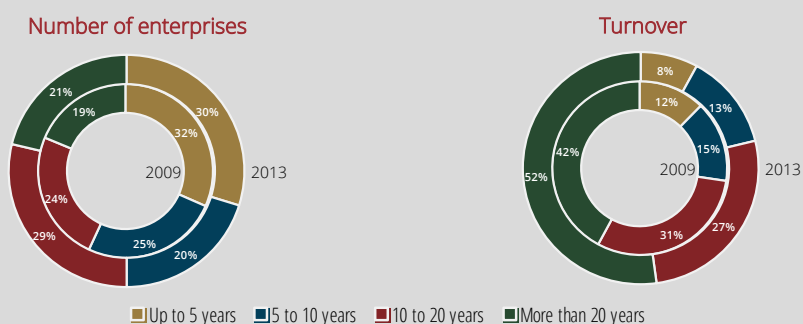
Note: Darker areas show the most relevant size class per economic activity sector for each of the indicators considered.

However, when considering a breakdown of turnover, despite the greater importance of **large enterprises** in total NFCs (43%), **SMEs** stood out in **agriculture and fishing** (57%), **construction** (46%), **trade** (45%) and **other services** (41%). **Large enterprises** accounted for the most significant share of turnover in **electricity and water** (81%) and **manufacturing** (52%).

In terms of enterprise maturity,<sup>5</sup> in 2013 there was an equal distribution between the number of enterprises established for less than 10 years and those established for more than 10 years. This structure shows a greater

maturity of the Portuguese corporate landscape compared with 2009, when younger enterprises accounted for 57% of the population (Chart 3).

The same analysis based on turnover shows a clear predominance of enterprises established for more than 10 years, which accounted for 79% of total NFC turnover in 2013 (73% in 2009). In this section, enterprises established for more than 20 years accounted for 52% of NFC turnover (42% in 2009).

**Chart 3 • Structures | By maturity class (2009 and 2013)**

With regard to the sector's dynamics, the number of active enterprises in Portugal increased by close to 2% in 2013, after declining by 1% in 2012 (Chart 4).

By size class, the increase in the number of active enterprises in 2013 occurred mainly in **microenterprises**, this being the only size class with a birth/death ratio over 1 (i.e. positive net creation of enterprises).

At sectoral level the rise was broadly based across most economic activity sectors, **construction** being the only activity with a birth/death ratio below 1 (Chart 5). **Agriculture and fishing** grew the most, i.e. with 3.3 new enterprises created for each enterprise that ceased activity. In addition, **manufacturing** and **trade** reversed the trend followed in the past few years, with the number of active enterprises increasing in 2013.

Chart 4 • Birth and death rates (2009 to 2013)

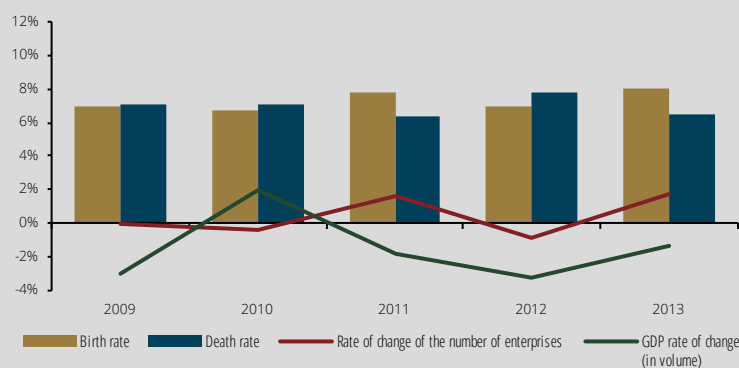
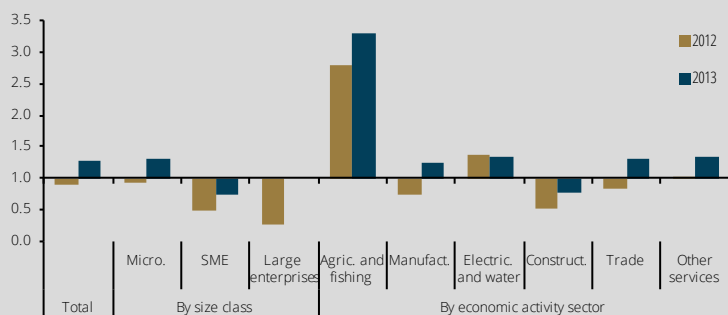


Chart 5 • Birth/death ratio (2012 and 2013)





## 3. Economic and financial analysis

### 3.1. Economic environment

In 2013 Portuguese GDP decreased by 1.4% in real terms, after dropping by 3.3% in 2012. With the exception of exports (which grew by 6.4%), all other components recorded negative developments (Table 2).

Private consumption contracted by 1.4% (after falling by 5.2% in 2012), against a background of an additional adjustment in the household expenditure and indebtedness levels. Public consumption decreased by 1.9% (a fall of 4.3% in 2012), mainly reflecting a decrease in employee expenses. Gross fixed capital formation decreased by 6.3% (a drop of 15% in 2012). This decrease was broadly based across all in-

stitutional sectors. Imports reversed the trend seen in the previous two years (-5.8% in 2011 and -6.6% in 2012), growing by 3.6% in 2013.

Despite the annual drop, economic activity recovered from the second quarter of 2013. The recovery in domestic demand contributed to these developments, in line with an improvement in the confidence of both consumers and businesses and a continued strong contribution from exports.

In relation to the first half of 2014, data published by Statistics Portugal point to slight growth in GDP (0.9%). With the exception of exports, the main components of GDP grew faster than the same period a year before.<sup>6</sup>

**Table 2 • GDP and key expenditure components | Real year-on-year rate of change**

	2009	2010	2011	2012	2013	2014 (1 <sup>st</sup> half)
GDP	-3.0%	1.9%	-1.8%	-3.3%	-1.4%	0.9%
Private consumption	-2.3%	2.4%	-3.6%	-5.2%	-1.4%	1.9%
Public consumption	2.6%	-1.3%	-3.8%	-4.3%	-1.9%	0.1%
Gross fixed capital formation	-7.6%	-0.9%	-12.5%	-15.0%	-6.3%	1.6%
Exports	-10.2%	9.5%	7.0%	3.1%	6.4%	2.7%
Imports	-9.9%	7.8%	-5.8%	-6.6%	3.6%	7.0%

Source: INE and Banco de Portugal.

### 3.2. Activity and profitability

#### 3.2.1 Turnover

NFC turnover grew by 0.2% in 2013, after falling by more than 6% in 2012. According to preliminary data from the Central Balance Sheet Database, this indicator remained relatively constant in the first half of 2014.

Positive developments in turnover in 2013 were reflected in **SMEs** (1%) and **large enterprises** (0.1%). In turn, there was a 2% decrease in **microenterprises**, although still

lower than that observed in 2012 (-7%) (Chart 6).

Most economic activity sectors saw their turnover increase in 2013, **construction** having been the only exception, with a negative change of 10%, although far from the 24% fall in 2012. In 2012 **agriculture and fishing** was the only sector with a growth rate for turnover (2%) below that seen in 2012 (10%).

Marginal developments in NFC turnover stemmed from an offsetting between domestic and external market contributions (-0.9 p.p. and +1.1 p.p. respectively).

The weight of exports (goods and services) in turnover increased by 1 p.p. from 2012 (to 22%), a change similar to that recorded by the weight of imports in total purchases of goods and services (to 27%).

In 2013 the NFCs' balance of goods and services transactions with the external markets was positive at 0.3% of turnover, i.e. 1 p.p. above the figure for 2012 (Chart 7).

This indicator evolved positively in most economic activity sectors. **Trade** was the sole exception, with a marginal 0.1 p.p. decline

from 2012. By size class, the largest contribution to this reversal in the indicator stemmed from **large enterprises** (2 p.p. recovery), given that developments in the other classes' external balance were not significant. Nevertheless, both **large enterprises** and the **trade** and **electricity and water** sectors maintained negative balances in transactions with the external markets.

Chart 6 • Turnover | Annual growth rate (2009 to 2013)

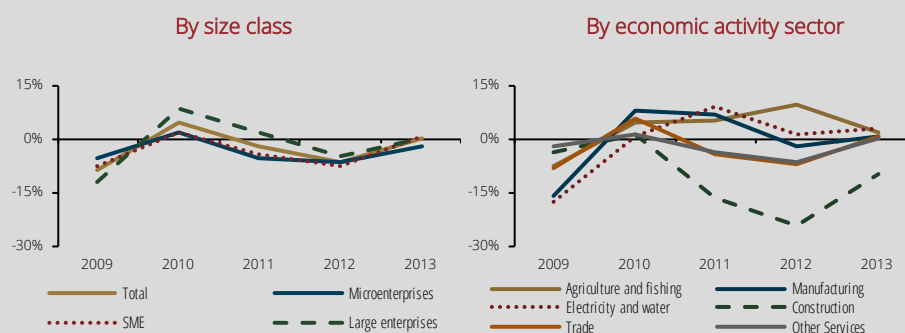
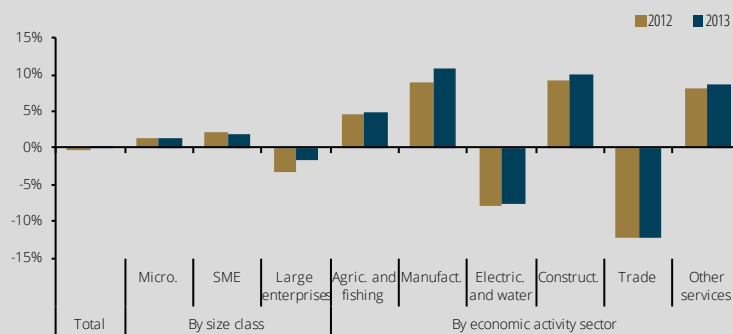


Chart 7 • Balance of goods and services transactions with the external markets | As a percentage of turnover (2012 and 2013)



### 3.2.2. Operating expenses<sup>7</sup>

NFC operating expenses declined by less than 1% in 2013 compared with 2012. However, an analysis by operating expenses component shows diverging paths.

Hence, the cost of goods sold and materials consumed (CoGS) increased by 1% in 2013, while supplies and external services (SES) and employee expenses declined by 3% and 2% respectively (Table 3).

By size class, the growth rate of operating expenses increased with the size of the enterprise, ranging between -3% in **microenterprises** and 0.2% in **large enterprises**. In the breakdown by economic activity sector, **construction** (-12%) and **other services** (-1%) were the only sectors that saw operating expenses declining in 2013.

The largest declines in each operating cost component were observed in **microenterprises** and **construction**.

In 2013 employee expenses continued to fall, the only notable exception having been **agriculture and fishing**, which grew by 2% (**other services** and the size class of **large enterprises** recorded minor increases in this item).

### 3.2.3 EBITDA<sup>8</sup>

Joint developments in operating income and expenses led to 12% EBITDA growth in 2013. Vis-à-vis 2012 only **large enterprises** (-2%) and **electricity and water** (-3%) recorded negative developments in this indicator.

The improvement in the indicator is supported by the weight of enterprises with EBITDA growth, which went up from 45% in 2012 to 53% in 2013 (Table 4). Similarly, the share of enterprises with negative EBITDA declined by 3 p.p. (36% in 2013). Developments were broadly positive across most aggregates considered.

**Table 3 • Operating expenses | Annual growth rate (2013)**

		CoGS	SES	Employee expenses	Operating expenses
<b>Total</b>		<b>0.7%</b>	<b>-2.7%</b>	<b>-1.5%</b>	<b>-0.5%</b>
By size class	Microenterprises	-2.1%	-4.8%	-4.9%	-3.4%
	SMEs	0.1%	-0.1%	-1.2%	-0.2%
	Large enterprises	2.0%	-4.5%	0.1%	0.2%
By economic sector	Agriculture and fishing	0.2%	6.3%	2.0%	2.3%
	Manufacturing	0.3%	1.4%	-0.4%	0.4%
	Electricity and water	2.9%	5.4%	-0.1%	3.1%
	Construction	-7.3%	-16.5%	-6.8%	-12.0%
	Trade	1.1%	-1.6%	-3.5%	0.4%
	Other services	-0.6%	-1.5%	0.2%	-0.9%

Note: Darker areas stress the most significant changes by size class and economic activity sector. The lighter areas show all positive changes.

**Table 4 • Enterprises with annual EBITDA growth and enterprises with negative EBITDA (2012 and 2013)**

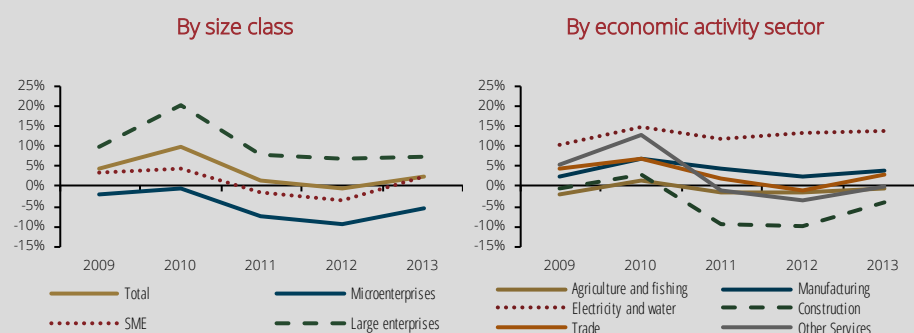
		Weight of enterprises with annual EBITDA growth		Weight of enterprises with negative EBITDA	
		2012	2013	2012	2013
<b>Total</b>		<b>44.5%</b>	<b>53.3%</b>	<b>39.0%</b>	<b>36.3%</b>
By size class	Microenterprises	45.0%	53.3%	41.0%	38.4%
	SMEs	41.3%	52.9%	22.8%	19.3%
	Large enterprises	43.8%	57.0%	15.1%	11.7%
By economic sector	Agriculture and fishing	52.3%	54.8%	31.0%	29.2%
	Manufacturing	46.0%	55.1%	32.5%	29.2%
	Electricity and water	53.5%	53.5%	32.9%	31.3%
	Construction	43.6%	52.0%	40.2%	36.6%
	Trade	44.6%	53.8%	39.9%	37.5%
	Other services	43.8%	52.8%	40.2%	37.8%

### 3.2.4 Profitability

The improvement in NFC operating income was reflected in return on equity,<sup>9</sup> which increased by 3 p.p. from 2012, thus resuming positive values (3%) in 2013 (Chart 8).

According to the preliminary data available, such return seems to have declined in the first half of 2014, albeit remaining positive.

By size class, **large enterprises** continued to record the highest profitability (7%), although **SMEs** and **microenterprises** grew the most. In sectoral terms, **electricity and water** continued to be the sector with the highest return on equity (14%), with **agriculture and fishing** (-1%) and **construction** (-4%) in the opposite position, with negative profitability. This notwithstanding, both sectors recorded positive developments in this indicator versus 2012.

**Chart 8 • Return on equity (2009 to 2013)**

### 3.3. Financial situation

#### 3.3.1. Financial structure

In 2013 the capital ratio of NFCs was 30%, showing that 70% of enterprises' assets were funded by debt. Recourse to this type of funding was particularly significant in **microenterprises** (capital ratio of 25%) and enterprises in **construction** (21%) and **electricity and water** (24%).

Versus 2009 the capital ratio of NFCs improved by 2 p.p. (Chart 9). In this time horizon **microenterprises** were the only size class where this indicator worsened (-1 p.p.). In sectoral terms, the improvement was also broadly based, **electricity and water** having been the only exception (-4 p.p.).

High leverage was particularly critical for 29% of NFCs in Portugal, which recorded negative equity in 2013. This was reflected by 31% of **microenterprises**, but only by 6% of **large enterprises**. At sectoral level, the highest figures were observed in **trade** (31%) and **other services** (31%), while the lowest was seen in **electricity and water** (21%).

The main sources of debt were financial debt<sup>10</sup> and trade credits, which as a whole accounted for 75% of NFC liabilities (-1 p.p. versus 2012) (Chart 10).

At financial debt level, bank loans<sup>11</sup> played a particularly important role, accounting for 28% of NFC liabilities (29% in 2012). Intra-group financing was the second largest component of financial debt (20% of liabilities).

Chart 9 • Capital ratio (2009 and 2013)

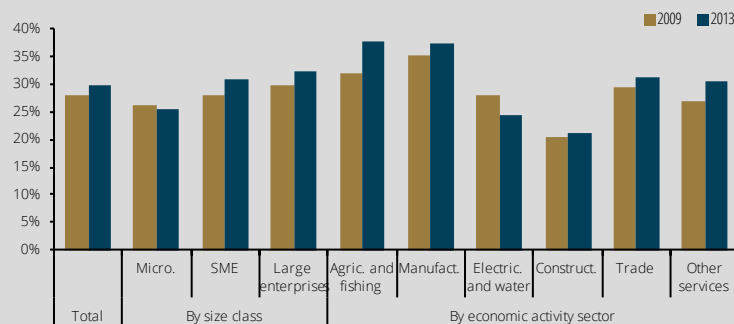
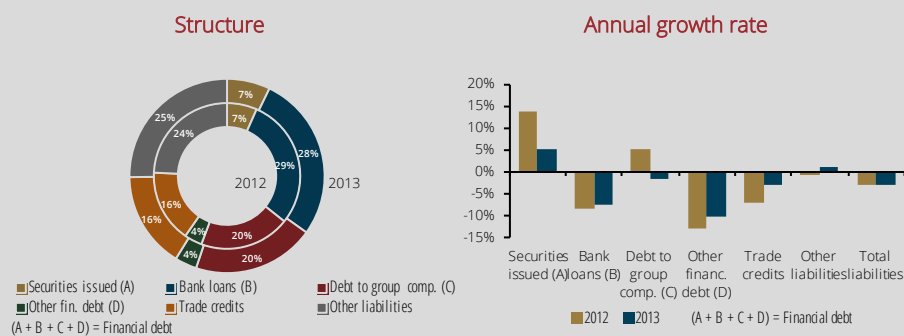


Chart 10 • Liabilities | Structure and annual growth rate (2012 and 2013)



Debt securities and other financing played a less significant role (7% and 4% respectively).

Versus 2012 only debt securities followed an upward trend (5%) in 2013, while the other financial debt components dropped: -10% in other financial debt; -7% in bank loans; and -1% in intra-group financing.

### 3.3.2. Financial costs and solvency

Given that in 2013 59% of NFC liabilities related to interest-bearing debt, it is important to assess their trend.

In total NFCs, interest expenses declined by 6% in 2013 versus 2012 (Table 5). Preliminary data from the Central Balance Sheet Database point to a downward trend of interest expenses by NFCs extending into the first half of 2014, albeit to a lesser extent.

By size class, in 2013 **microenterprises** and **SMEs** declined by 16% and 11% respectively. In turn, in **large enterprises** interest expenses rose by 5%.

By economic activity sector, **electricity and water** was the only activity that recorded a rise in interest expenses (4%), although at a

substantially slower pace than recorded in 2012 (16%).

These developments along with those in EBITDA led to a broadly based decline in financial pressure (as measured by the weight of interest in EBITDA) on NFCs, from 36% in 2012 to 30% in 2013.

As a reflection of the higher interest expenses and the lower EBITDA, **large enterprises** and **electricity and water** were the only aggregates where financial pressure increased in the past year.

The decline in the financial pressure on NFCs also translated into a decline in the share of enterprises with EBITDA lower than interest expenses (38% in 2013 compared with 41% in 2012). This decline was observed in all size classes and economic activity sectors, with the highest losses in **large enterprises** (-5 p.p.), **construction** and **manufacturing** (-4 p.p. in both cases).

**Table 5 • Annual growth rate of interest expenses, financial pressure and enterprises with EBITDA lower than interest expenses (2012 and 2013)**

		Annual growth rate of interest expenses		Financial pressure (interest expenses/EBITDA)		Weight of enterprises with EBITDA lower than interest expenses	
		2012	2013	2012	2013	2012	2013
<b>Total</b>		<b>4.4%</b>	<b>-6.0%</b>	<b>36.1%</b>	<b>30.2%</b>	<b>40.8%</b>	<b>37.8%</b>
By size class	Microenterprises	6.3%	-15.9%	154.8%	74.6%	42.6%	39.7%
	SMEs	0.8%	-11.0%	44.6%	30.5%	26.0%	22.0%
	Large enterprises	7.3%	4.8%	22.0%	23.6%	20.4%	15.6%
By economic sector	Agriculture and fishing	9.5%	-5.0%	28.7%	25.6%	32.8%	30.7%
	Manufacturing	3.8%	-3.7%	22.0%	19.9%	34.5%	30.7%
	Electricity and water	16.2%	4.3%	26.3%	28.4%	34.9%	33.3%
	Construction	0.3%	-13.5%	159.9%	104.4%	43.2%	38.9%
	Trade	0.0%	-15.1%	33.7%	22.6%	41.7%	38.9%
	Other services	2.6%	-6.0%	41.4%	32.4%	41.8%	39.1%

Note: Darker areas show the most significant figures by size class and economic activity sector.

### Box 1 | Bank loans<sup>12</sup>

According to the information compiled by Banco de Portugal's Central Credit Register, loans granted by resident credit institutions (CIs)<sup>13</sup> to NFCs have been declining in the past few years, at the end of June 2014 accounting for only 78% of the figure observed at the end of 2009 (Chart 11).

The downward trend of credit granted to enterprises was accompanied by a deterioration of its quality. In late June 2014 the non-performing loans ratio stood at 14.7%, compared with 4.4% at the end of 2009.

At the end of the first half of 2014, half of the credit related to **SMEs** (50%), while **microenterprises** and **large enterprises** held 35% and 15% respectively (Chart 12). This breakdown was similar to that observed in 2009.

At sectoral level, **other services** held the highest share of bank credit at the end of the first half of 2014 (41%), followed by **construction** (19%) and **manufacturing** (17%). Versus the end of 2009 **construction's** weight fell by 5 p.p., against an increase in the share of credit allocated to the other sectors, particularly **other services** (+3 p.p.).

Focusing on the most recent period, the analysis shows that loans granted to non-financial corporations by the resident financial sector declined by 2% in the first half of 2014.

The NFC non-performing loans ratio<sup>14</sup> continued to follow an upward trend in the first half of 2014 (+0.9 p.p. from the end of 2013) having deteriorated in all size classes and economic activity sectors (Chart 13).

Versus the end of 2013, by size class the largest increase was observed in **microenterprises** (+1.2 p.p.), which recorded a non-performing loans ratio of 22.9% at the end of the first half of 2014. In **SMEs** growth was 1.0 p.p. (to 12.3%), whereas **large enterprises** increased by 0.2 p.p. (to 3.9%).

In sectoral terms, **construction** continued to be the sector with the highest non-performing loans ratio (25.9%), followed by **trade** (16.2%) and **other services** (12.2%). The non-performing loans ratio for **electricity and water**, although still the lowest, worsened by 0.5 p.p., to 1.8% at the end of the first half of 2014.

**Chart 11 • Evolution of credit from resident CIs (2009=100) and weight of the non-performing ratio (2009 to 2014 – end of the first half-year)**

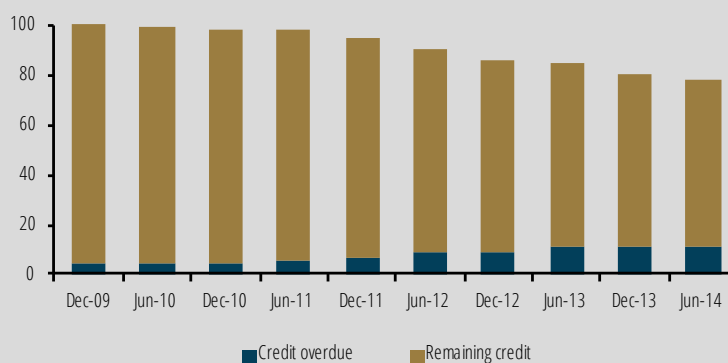


Chart 12 • Structure of credit from resident CIs (2009 and end of the first half of 2014)

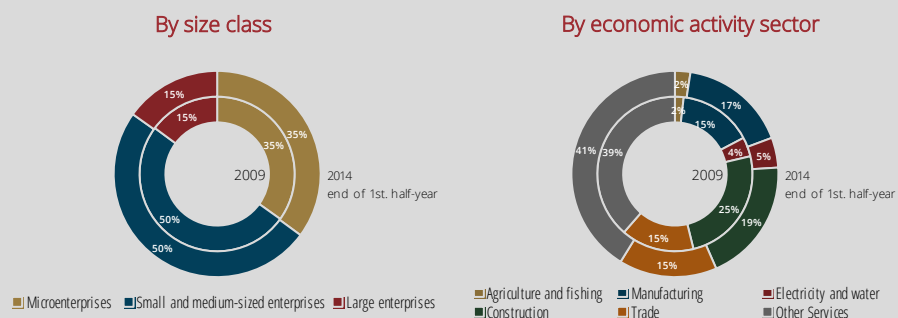
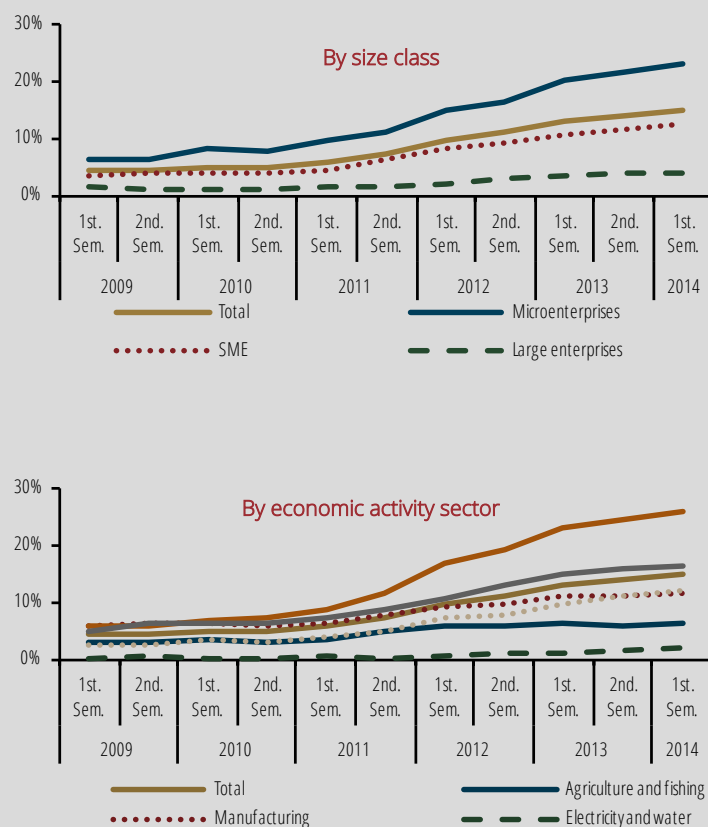


Chart 13 • Non-performing loans ratios (end-of-period figures)





### 3.3.3. Trade credit financing

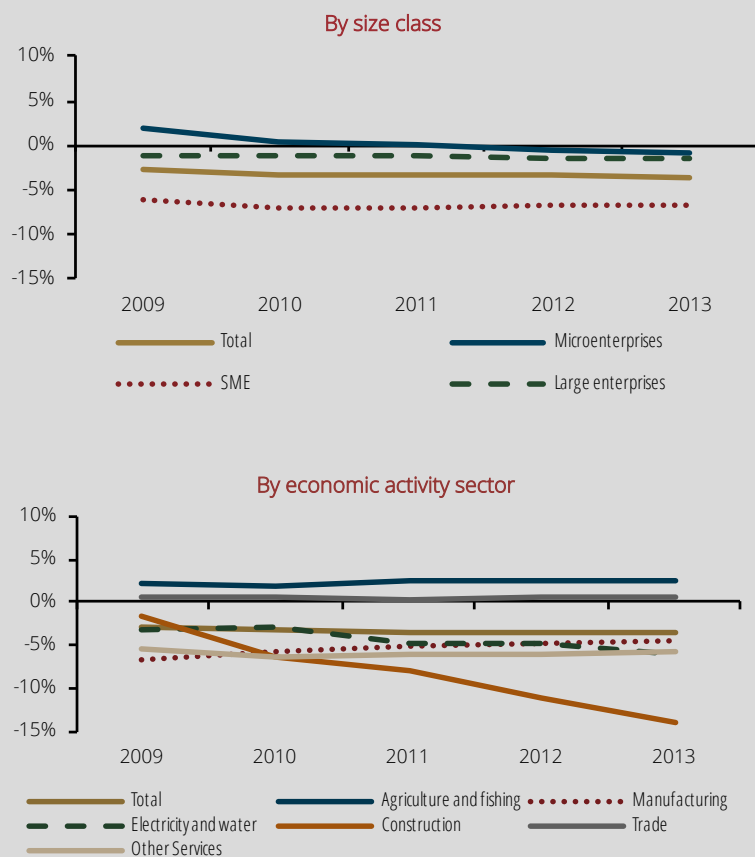
Trade credit financing accounted for 16% of NFC liabilities in 2013 (similarly to 2012).

An assessment of this source of financing in net terms shows that NFCs have not obtained financing through this means. In fact, the balance of accounts payable and accounts receivable, weighted by turnover, remained negative in 2013 (-4%). This shows a situation where enterprises financed their customers by more than they obtained financing from suppliers.

This balance was negative for all size classes, especially **SMEs** (-7%). **Large enterprises** and **microenterprises** recorded negative trade credit financing equivalent to 1% of their turnover (Chart 14).

By economic activity sector, only **agriculture and fishing** (2%) and **trade** (1%) obtained net trade credit financing. In the other sectors, credit obtained from suppliers was lower than credit granted to customers, especially for **construction** (-14%), where this indicator has been deteriorating sharply.

Chart 14 • Net trade credit financing | As a percentage of turnover (2009 to 2013)



Note: Net trade credit financing was calculated as the difference between accounts payable (net of advances) and accounts receivable (net of advances and adjustments).

## Box 2 | 100 largest enterprises

Over the 2009-13 period, 68 enterprises featured among the top 100 enterprises every year, 43% of which belonged to **trade** and 28% to **manufacturing**. Of the other 32 enterprises in the top 100 in 2009 that did not feature in that list over the whole period, most belonged to the top 200 in 2013, thus maintaining a favourable relative position.

In 2013 the 100 largest enterprises in Portugal accounted for 27% of turnover and 7% of the number of employees of total NFCs. Versus 2009, these enterprises' turnover increased by 4 p.p., and remained virtually unchanged in terms of employment (Table 6).

The trend of turnover in this group of enterprises contrasts with that of the other NFCs. Indeed, between 2009 and 2013 average annual growth in the 100 largest enterprises in Portugal was 3.2% of turnover, compared with a 2.2% contraction in the other NFCs.

In the past year the top 100 enterprises generated on average five times more turnover per employee than the other NFCs. In 2009 this differential was four times.

With regard to the sectoral structure of the top 100 enterprises, in 2013 the most represented economic activity sectors were **trade**, with 37% of the largest enterprises in Portugal, and **manufacturing**, with 35%. **Other services** accounted for 13%. In comparison with the structure of the other NFCs, these figures show that the top two sectors hold a higher share of the top 100 enterprises (+10 p.p. in **trade** and +24 p.p. in **manufacturing**), while **other services** hold a lower share (-34 p.p.) (Chart 15).

Versus 2009 there was an increase in the weight of **manufacturing** (+11 p.p.) in the top 100 enterprises to the detriment of the other sectors, especially **trade** (-6 p.p.). In addition, **agriculture and fishing** was not represented in the top 100 in the whole period under review.

The same analysis based on turnover also shows the highest concentration of the top 100 in **trade** and **manufacturing**, which accounted for 36% and 30% respectively of the aggregate's turnover in 2013. **Electricity and water** was the third most important sector (18%). The main differences with regard to the structure of the other NFCs were recorded in this latter sector and **other services**. In fact, in 2013 the share of **electricity and water** in the top 100 was higher by 15 p.p. than in the other NFCs. In turn, **other services** weighed 12 p.p. less (13% in the top 100, compared with more than 25% in the other NFCs).

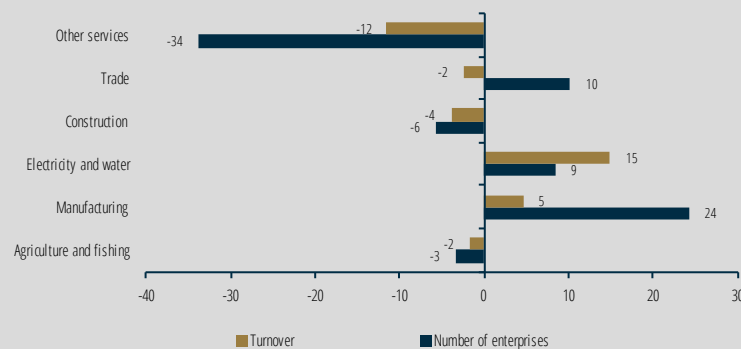
Table 6 • Top 100 enterprises' weight in total NFC

	Number of enterprises	Turnover	Number of employees
2009	0.03%	22.6%	6.7%
2013	0.03%	26.6%	6.9%

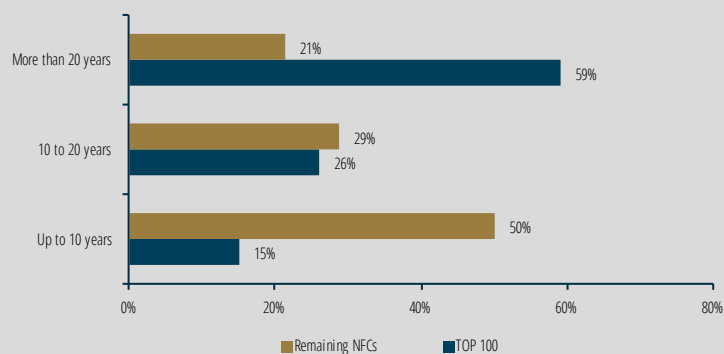
From 2009 to 2013 **manufacturing's** weight in terms of turnover increased by 9 p.p., while that of **trade** declined by 1 p.p..

In 2013 the top 100 enterprises were dominated by enterprises established for more than 20 years both in number (59%) and turnover (65%). The share of enterprises established for less than 10 years stood at 15% (Chart 16), accounting for 13% of the top 100's turnover.

**Chart 15 • Structure differences between the top 100 enterprises and the other NFCs (2013, in p.p.)**



**Chart 16 • Structures | By enterprise maturity class (number of enterprises, 2013)**



## Notes

1. The NFC sector is one of the economy's institutional sectors. The institutional sectorisation of economic agents is carried out in accordance with the 2010 European System of National and Regional Accounts (ESA 2010), approved by Regulation (EU) No 549/2013 of the European Parliament and of the Council of 21 May 2013. ESA 2010 is a harmonised benchmark on the compilation methodology with a deadline for release of the national accounts of EU countries, including statistics under Banco de Portugal's responsibility. The series under analysis (2009-14) is based on the ESA 2010 delimitation. Based on this national accounts 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 account for around two-thirds of enterprises, but only 5% of the respective turnover).
2. The Central Balance Sheet Database is a database with economic and financial information on NFCs in Portugal. Information is based on annual accounting data reported within the scope of Simplified Corporate Information (IES in Portuguese) and quarterly accounting data reported by enterprises through the quarterly survey of non-financial corporations. Annual data cover nearly all NFCs and quarterly data cover around 4,000 enterprises, representing 50% of turnover in the sector. For further details on the activities of the Central Balance Sheet Database, see *Supplements to the Statistical Bulletin 1/2008 – Simplified reporting: inclusion of the Simplified Corporate Information in the Statistics on Non-Financial Corporations from the Central Balance Sheet Database*, and 2/2013 – *Statistics on non-financial corporations of the Central Balance Sheet Database: Methodological notes*.
3. For the sake of simplicity, this study refers to 'enterprise' and 'corporation' interchangeably when referring to NFCs as defined in Note 1.
4. 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 Banco de Portugal's website and BPstat | Statistics Online.
5. The enterprise maturity corresponds to the age of the enterprise as at the analysis reference date. Four maturity classes are considered: up to five years; from five to (but not including) 10 years; from 10 to (but not including) 20 years; and more than 20 years.
6. For further information on economic performance in Portugal, please refer to Banco de Portugal's *Annual Report - The Portuguese economy*, as well as the *Economic Bulletin*, published quarterly. Both publications are available on Banco de Portugal's website.
7. The 'operating expenses' aggregate, calculated from the sum of the cost of goods sold and materials consumed (CoGS), supplies and external services (SES) and employee expenses, roughly corresponds to the concept of 'operating expenses' of the Official Chart of Accounts (accounting standard for corporate accounts up to 2009).
8. EBITDA means earnings before interest, taxes, depreciation and amortisation.
9. Calculated as the period's net income to equity ratio and measures return on capital employed.
10. Financial debt refers to the set of remunerated financing taken by the enterprise through the issuance of debt securities, or debt from credit institutions and financial corporations, and intra-group financing.
11. *Box 1 | Bank loans* provides complementary information on this source of financing.
12. The Central Credit Register is a database managed by Banco de Portugal, which gathers information provided by participating entities (resident institutions) regarding credit granted. For more information, please refer to Booklet No 5 of Banco de Portugal, *Central de Responsabilidades de Crédito* (Portuguese version only).
13. These include banks, savings banks and mutual agricultural credit banks (generically called 'banks' in this study), as well as credit financial institutions, factoring companies, credit-purchase financing companies and financial leasing companies. Over 95% of credit granted by resident credit institutions to NFCs in 2013 came from banks.
14. The non-performing loans ratio is calculated as non-performing loans' share of total credit granted. Credit is deemed to be overdue, in the case of principal, 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.







## ANNEX

Methodological summary





## Methodological summary

**Capital ratio:** Ratio of equity to total assets.

**EBITDA (earnings before interest, taxes, depreciation and amortisation):** The new accounting standard (SNC - *Sistema de Normalização Contabilística* - Accounting Standards 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 *Plano Oficial de Contabilidade* - POC (Official Chart of Accounts) where possible, for the 2006-09 period.

**Economic activity sector:** The enterprises classified in Sections *K – Financial and insurance activities*; *O – Public administration and defence*; *Compulsory social security*, *T – Activities of households as employers*; *Undifferentiated goods- and services-producing activities of households for own use* and *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.

**Return on equity:** Ratio of year's net income to 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 the enterprise:** Enterprises were grouped into three classes: microenterprises, small and medium-sized enterprises 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, employ fewer than 250 and more than ten persons and have an annual turnover between €2 million and €50 million and/or an annual balance sheet total between €2 million and €43 million. Large enterprises are any enterprises which are not classified above.

## Abbreviations and acronyms

CAE	Portuguese Classification of Economic Activities
CCR	Central Credit Register
CIs	credit institutions
CoGS	cost of goods sold and materials consumed
EBITDA	earnings before interest, taxes, depreciation and amortisation
ESA 2010	European system of national and regional accounts 2010
GDP	gross domestic product
IES	<i>Informação Empresarial Simplificada</i> (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	<i>Sistema de Normalização Contabilística</i> (Accounting Standards System)

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- 1 | Enterprise and sector tables, November 2010
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- 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
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