

ANALYSIS OF THE TOURISM SECTOR

Central Balance Sheet Studies

October 2014



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Foreword

At the start of October, Banco de Portugal incorporated changes into the compilation and production of statistics 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 resides 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 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. This 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 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.

Summary

For the purpose of this study, *Tourism* includes enterprises operating in 'Transport and logistics', 'Accommodation and food service activities' and 'Recreation and cultural activities', accounting for 13% of the number of enterprises, 5% of turnover and 10% of the number of employees of total non-financial corporations (NFCs) in Portugal in 2013. Over the past ten years, the weight of the sector under analysis increased across all indicators analysed, particularly as regards the number of employees (+2 p.p.).

In 2013 'Accommodation and food service activities' represented 71% of the number of enterprises and 75% of the number of employees, while 'Transport and logistics' accounted for the largest share of turnover (45%). In turn, 'Recreation and cultural activities' concentrated the largest share of high-growth enterprises (HGEs) (11%).

The sector is mainly comprised of microenterprises (92%), although large enterprises, even though only accounting for 0.1% of the total, were responsible for 41% of turnover in 2013. The size of the average enterprise in *Tourism* is smaller than the average enterprise in Portugal.

As for the activity indicators, turnover grew by 3% in 2013, comparing favourably with the slightly positive developments seen in the aggregate of non-financial corporations in Portugal. The reversal in the behaviour of domestic demand is expected to have been a key factor behind this growth.

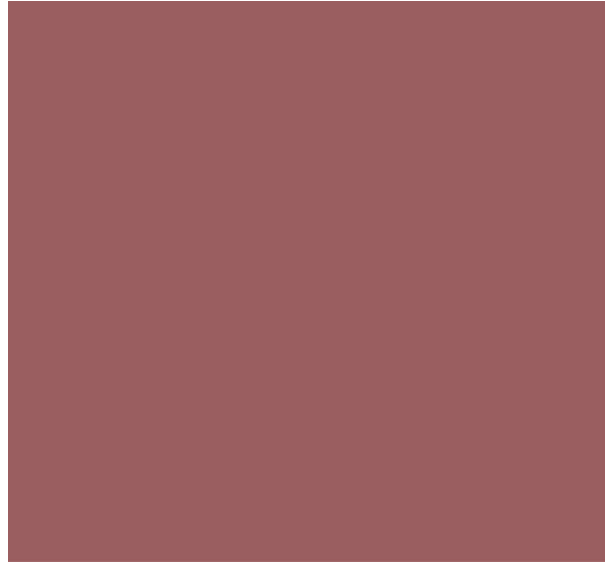
Joint developments in operating income and expenses resulted in an increase of 18% in EBITDA in *Tourism*, exceeding the 12% observed in total NFCs. However, half the enterprises in *Tourism* had a negative operating profit, comparing unfavourably with NFCs (36%). Growth in EBITDA was reflected in an improvement in return on equity in *Tourism* in 2013, which nevertheless remained

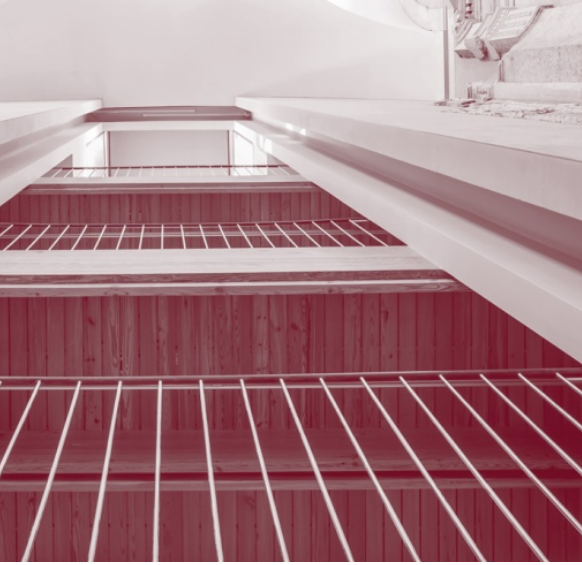
negative (-7% compared with 3% for the NFC aggregate).

The profitability of *Tourism* is negatively affected by the fact that it is highly leveraged. In effect, the average capital ratio in *Tourism* (25%) compares negatively with the NFC aggregate (30%), which reveals that a smaller share of equity is used to fund its enterprises. Bank loans were the main source of debt (36%, 8 p.p. more than for NFCs) in 2013.

As a result of the high share of debt, financial pressure in *Tourism* (measured by the weight of interest in EBITDA) (40%) was higher than in the NFC aggregate (30%). In the sector under analysis, 55% of enterprises with financial debt were not able to generate enough EBITDA to pay interest. This indicator was particularly high for microenterprises (59%) and 'Accommodation and food service activities' (62%).

Data available for 2014, compiled by the Central Credit Register of Banco de Portugal, show that loans granted to *Tourism* by the resident financial sector decreased by 1% in the first half of 2014, comparing favourably with NFCs (which saw a decrease of 2%). Default in the *Tourism* sector reached 10% at the end of the first half of 2014 (4 p.p. less than NFCs), a 1 p.p. increase from the end of 2013.





ANALYSIS OF THE TOURISM SECTOR

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

1. Introduction

The study *Analysis of the Tourism Sector* evaluates the economic and financial situation of enterprises belonging to the *Tourism* sector, based on information compiled by the Central Balance Sheet Database of Banco de Portugal.¹ For the purposes of this publication, the *Tourism* sector comprises non-financial corporations (NFCs)² operating in 'Transport and logistics', 'Accommodation and food service activities' and 'Recreation and cultural activities'.

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 and external transactions.

This study characterises the *Tourism* sector by analysing a set of selected indicators on the dispersion of individual results of its enterprises.³ For this purpose, results are shown on the distribution of the aggregate's enterprise data, allowing for an alternative analysis to that provided by the indicator on the sector's average, and providing measures unbiased by extreme values. Furthermore, the analysis covers contributions from the various economic activity segments and size classes in order to determine the sector's aggregate results.

The analysis begins with a characterisation of the *Tourism* sector, evaluating the sector's structure, market concentration and business dynamics. Afterwards, it reviews recent developments in turnover to determine to what extent these are reflected in profitability for the enterprises. This involves breaking down the effects that influence profitability into operating and financial components, while providing some information on the sector's solvency capacity.

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

This publication also shows a comparison of results for the *Tourism* sector and the NFC aggregate in Portugal. For further details on the NFC sector, see Central Balance Sheet Study | 13 - *Sectoral Analysis of Non-financial Corporations in Portugal 2012/2013*, November 2013.

2. Structure and dynamics

2.1. Structure

According to the World Tourism Organization (WTO), tourism comprises 'the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited'.⁴

To isolate the set of enterprises with activities falling exclusively within this concept is not straightforward. In effect, an enterprise with a strong focus on tourism may have part of its business outside this scope.⁵ Similarly, an enterprise focusing chiefly on a sector other than tourism may nevertheless carry out tourism activities, albeit only marginally.⁶

As it is not possible to isolate tourism activities within each enterprise through its economic and financial data, the *Tourism* sector is defined by aggregating the economic activities more exposed to tourism activities, as defined in the Portuguese Classification of Economic Activities – Revision 3 (CAE-Rev.3). Within this scope, this sector comprises the following economic activities:⁷

- **Transport and logistics:** including, for example, taxi operation, air transport and renting and leasing of cars and light motor vehicles;

- **Accommodation and food service activities:** including most of Section I – *Accommodation and Food Service Activities* of CAE-Rev.3, with the exception of CAE 56290 – *Other food service activities*; and,

- **Recreation and cultural activities:** comprising, for example, travel agencies, tour operators, museums and historical buildings, marinas and recreational tourism activities.

In 2013 *Tourism* comprised around 49,000 enterprises in Portugal, accounting for 13% of the NFC aggregate, 5% of its turnover and 10% of the number of employees (Table 1). In the past decade, *Tourism's* weight in the Portuguese non-financial corporations' total increased across all indicators, particularly in the last variable (+2 p.p.).

By **economic activity segment**, in 2013 'Accommodation and food service activities' stands out in the *Tourism* sector in terms of number of employees (75%) and number of enterprises (71%). By turnover, 'Transport and logistics' comes first, accounting for 45% of the total, compared with 39% for 'Accommodation and food service activities' and 16% for 'Recreation and cultural activities' (Chart 1).

Table 1 • Tourism's weight in NFCs (2003 and 2013)

	Number of enterprises		Turnover		Number of employees	
	2003	2013	2003	2013	2003	2013
Tourism	12.5%	12.8%	4.4%	5.4%	8.1%	9.6%
Transport and logistics	2.9%	2.3%	1.5%	2.4%	1.4%	1.7%
Accommodation and food service activities	8.7%	9.2%	1.9%	2.1%	6.1%	7.2%
Recreation and cultural activities	0.9%	1.4%	0.9%	0.8%	0.6%	0.8%

Broken down, 53% of turnover in 'Transport and logistics' was associated with CAE 51100 – *Passenger air transport*. In the segment 'Accommodation and food service activities', CAE 55111 – *Hotels with restaurant* and CAE 56101 – *Traditional restaurants* together accounted for the largest share of turnover in the segment (45%). In 'Recreation and cultural activities', CAE 79110 – *Travel agency activities* were particularly important, accounting for 64% of its segment's turnover.

By **size class**,⁸ large enterprises were, in 2013, predominant in terms of turnover in both *Tourism* (41%) and total NFCs (43%) (Table 2). Similarly to total NFCs (89%), the overwhelming majority of enterprises in

Tourism are microenterprises (92%). As for the number of employees, 84% worked for small and medium-sized enterprises (SMEs) and microenterprises, exceeding by 10 p.p. the share of employees in the NFC aggregate. The relevance of smaller-sized enterprises (SMEs and microenterprises) for the number of employees is clearer in 'Accommodation and food service activities' and 'Recreation and cultural activities', accounting for 90% and 86% of the total respectively (compared with 52% for 'Transport and logistics').

Chart 1 • Structures | By economic activity segment (2013)

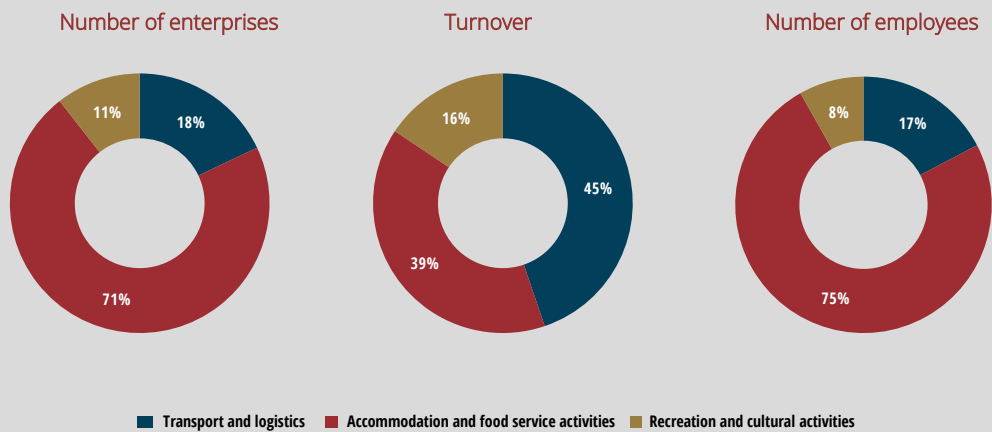


Table 2 • Structures | By size class (2013)

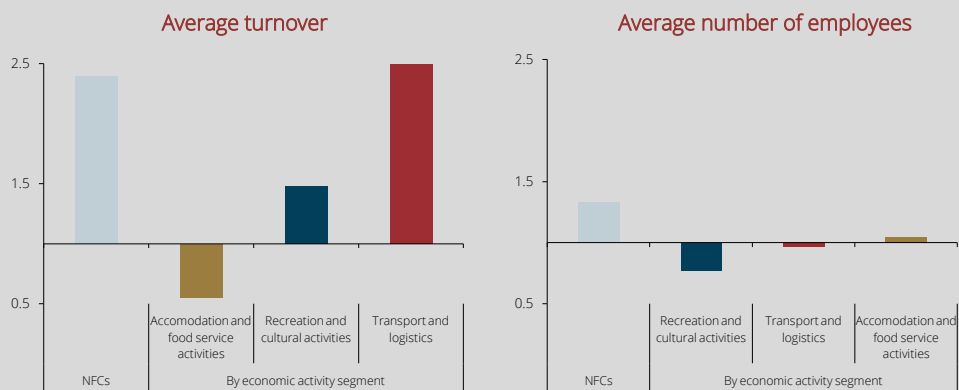
Indicator	Size class	NFCs	Tourism	Transport and logistics	Accommod. and food service activities	Recreation and cultural activities
Number of enterprises	Microenterprises	89.4%	91.8%	96.7%	90.3%	93.6%
	Small and medium-sized enterprises	10.3%	8.1%	3.0%	9.6%	6.3%
	Large enterprises	0.2%	0.1%	0.3%	0.1%	0.1%
Turnover	Microenterprises	15.3%	20.2%	5.5%	34.1%	27.1%
	Small and medium-sized enterprises	41.5%	39.2%	21.0%	52.9%	56.8%
	Large enterprises	43.2%	40.6%	73.6%	13.0%	16.1%
Number of employees	Microenterprises	28.0%	40.5%	30.8%	42.8%	39.5%
	Small and medium-sized enterprises	45.1%	43.0%	21.5%	47.6%	46.8%
	Large enterprises	26.9%	16.5%	47.7%	9.6%	13.7%

Note: Shaded cells identify the most important size classes in each sector/indicator.

The average enterprise in *Tourism* compares negatively with that of NFCs both in terms of turnover and employment (Chart 2). In 2013 the average NFC generated a turnover 2.4

times higher than the average enterprise in the sector under analysis, with a number of employees 1.3 times higher.

Chart 2 • Average turnover and average number of employees (2013) | Tourism = 1



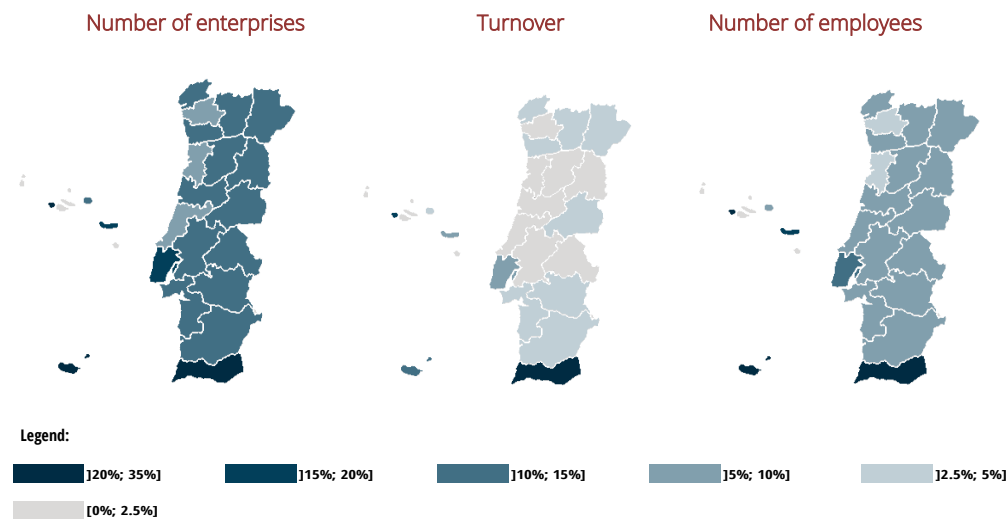
As regards the economic activities comprised in the *Tourism* sector, 'Transport and logistics' stood out from the rest due to a higher average turnover (2.5 times larger than that of *Tourism*). 'Recreation and cultural activities' had an average number of employees that was 0.8 times lower than that of *Tourism*.

enterprises in the sector, 60% of turnover and 42% of the number of employees. By comparison with the distribution of total NFCs, these three districts accounted for +5 p.p. in the number of enterprises, +17 p.p. in turnover and +9 p.p. in the number of employees.

By **geographical location**,⁹ in 2013 around 56% of enterprises, 79% of turnover and 66% of the number of employees in the sector under analysis were associated with enterprises with their head office in the districts of Lisbon, Porto and Faro. Lisbon was the district contributing the most to this concentration, with 33% of the number of

As regards *Tourism's* weight in each district's corporate landscape, key districts include Funchal, Faro, Horta, Ponta Delgada and Lisbon. Indeed, 24% of the enterprises in the district of Funchal were associated with the sector under analysis (23% in Faro, 22% in Horta, 16% in Ponta Delgada and 15% in Lisbon) (Figure 1).

Figure 1 • Geographical location by district | Tourism's weight in total NFCs by district (2013)



As regards **enterprise maturity**,¹⁰ the distribution in the *Tourism* sector did not differ substantially from the NFC aggregate, showing a direct relationship between the share of turnover and the enterprise age (Chart 3). In the sector under analysis, 77% of turnover originated in enterprises established for more than 10 years, while enterprises with up to 5 years of activity accounted for 9%.

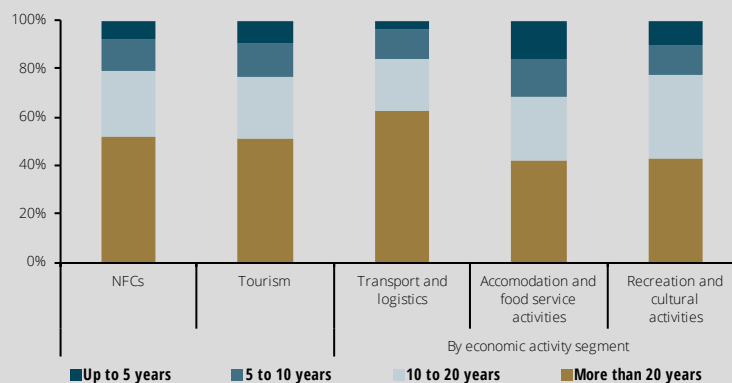
In terms of economic activities, enterprises with up to 5 years of activity in 'Accommodation and food service activities' were particularly important, accounting for 16% of the segment's total in 2013 (compared with 10% in 'Recreation and cultural activities' and 4% in 'Transport and logistics'). In 'Transport and logistics', enterprises established for more than 20 years represented 63% of total turnover (compared with 43% in 'Recreation and cultural activities' and 42% in 'Accommodation and food service activities').

2.2. Concentration

In 2013 the market share of the largest enterprises in the *Tourism* sector (10% of enterprises) accounted for 85% of turnover and 63% of the number of employees. Narrowing this criterion, the largest 1% of enterprises in the sector are responsible for 64% of total turnover and 32% of the number of employees (Chart 4). The level of concentration in the sector is slightly below that of the NFC aggregate, particularly in terms of employees.

Taking into account the various economic activity segments, the highest concentration is recorded in 'Transport and logistics', where 10% of the largest enterprises were responsible for 98% of turnover in the segment and 77% of the number of employees (90% and 61% respectively, when analysing only the largest 1% of enterprises). The segment with the lowest concentration was 'Accommodation and food service activities', with 10% of enterprises accounting for 69% of turnover and 58% of the number of employees.

Chart 3 • Structures | By maturity class (turnover – 2013)



2.3. Dynamics

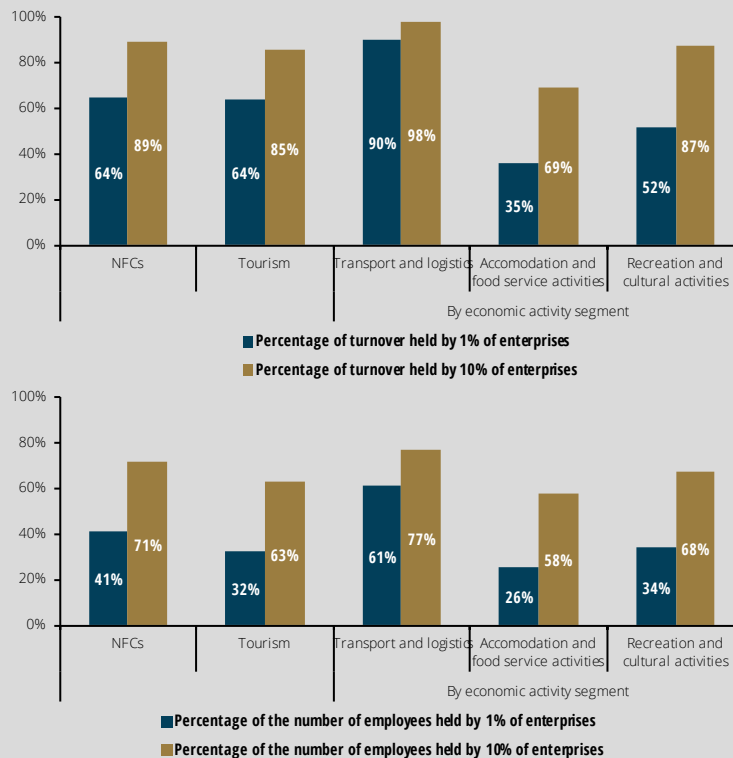
The number of enterprises active in the *Tourism* sector grew by 3% in 2013, an increase higher than that of the NFC aggregate (2%). In the period under analysis as a whole, this sector's dynamics compared favourably with that of non-financial corporations as a whole in Portugal (Chart 5).

The ratio of the number of enterprises created to the number of enterprises that ceased their activity in *Tourism* increased from 1.03 in 2012 to 1.41 in 2013 (Chart 6). This situation is the result of an increase in the birth rate and a decrease in the death rate in the past year (9% and 7% respectively).

The growth in the number of enterprises in *Tourism* was due to 'Accommodation and food service activities' and 'Recreation and cultural activities', which recorded birth/death ratios of 1.44 and 1.81 respectively (0.98 and 1.29 in 2012). By contrast, 'Transport and logistics' has seen a drop in the number of enterprises, with 0.85 enterprises created for each one that has ceased its activity (1.05 in 2012).

The higher birth/death ratio of 'Recreation and cultural activities', recorded throughout the period under analysis as a whole, compared to the other economic activities, explains the increase in importance of this segment in the *Tourism* sector.

Chart 4 • Distribution of turnover and number of employees (2013)



The dynamism of this economic activity segment is also visible in the share of high-growth enterprises (HGEs).¹¹ In 2013 11% of enterprises belonging to 'Recreation and cultural activities' showed an average annual growth rate above 20% over a period of three

consecutive years, higher than that of the NFC aggregate (7%) and the *Tourism* sector as a whole (4%). Nevertheless, similarly to all aggregates under analysis, HGEs decreased from 2009 to 2013 as a share of this segment (Chart 7).

Chart 5 • Demographic indicators



Chart 6 • Birth/death ratio

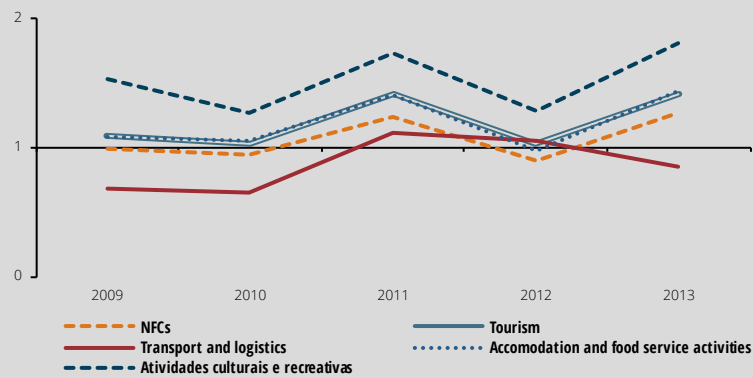
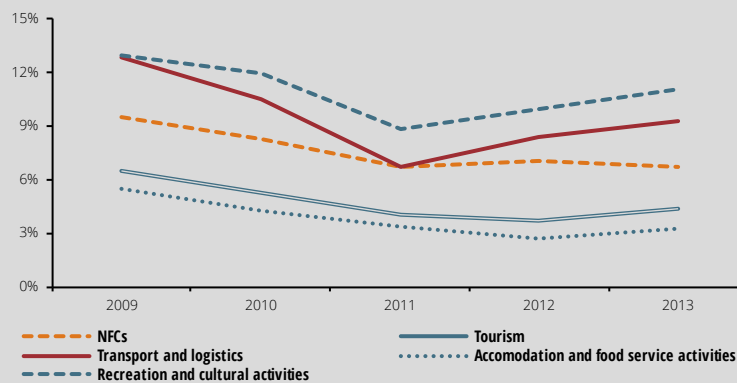


Chart 7 • Weight of high-growth enterprises



3. Economic and financial analysis

3.1. Economic environment

In 2013 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 the main components of GDP recorded negative developments (Table 3).

Private consumption contracted by 1.4% (after falling by 5.2% in 2012), within the context 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 institutional 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 onward. 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 in the same period of the previous year.¹²

Table 3 • GDP and main expenditure components | Real year-on-year rate of change

	2009	2010	2011	2012	2013	2014 (1 st 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%

Sources: INE and Banco de Portugal.

3.2. Activity and profitability

3.2.1. Turnover

Turnover in *Tourism* grew by 3% in 2013 (-5% in 2012), comparing favourably with the NFC aggregate, where growth was virtually nil (0.1%) (Chart 8).

The increase in turnover was mostly due to the SME size class, which increased by 4%. The activity of large enterprises also grew (2%), while that of microenterprises decreased

slightly (0.2%). Growth in turnover was broadly based across economic activity segments, with 'Accommodation and food service activities' and 'Recreation and cultural activities' recording the highest changes (3% for both).

An analysis of individual data shows that more than half of the enterprises in the *Tourism* sector saw a decrease in turnover in 2013. Compared with the previous year, however, all distribution positions (first quartile, median and third quartile) recorded positive

developments, revealing a more positive situation overall (Chart 9).

By size class, more than half of the microenterprises recorded a decrease in turnover of above 5% in 2013. By contrast, the turnover growth rate was positive for more than half of the SMEs and large enterprises, reflecting favourable developments compared with 2012.

'Recreation and cultural activities' was the segment with the highest dispersion. On the one hand, 25% of enterprises increased their turnover by more than 32%, on the other, the same amount of enterprises recorded decreases of more than 31%.

In terms of the breakdown of turnover between the external and domestic markets, the external market made a positive contribution to developments in turnover in the *Tourism* sector for the fourth year in a row (Chart 10). The increase in domestic demand had a positive impact on the sector for the first time since 2009.

By size class, turnover generated in the domestic market fell marginally for microenterprises, by contrast with positive developments in the external market. Both SMEs and large enterprises recorded an increase in both markets.

Chart 8 • Turnover | Annual growth rate (%) and contributions (p.p.)

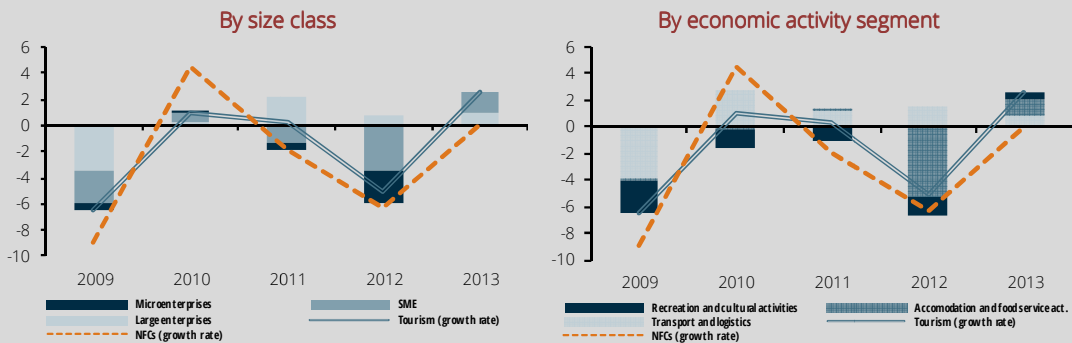
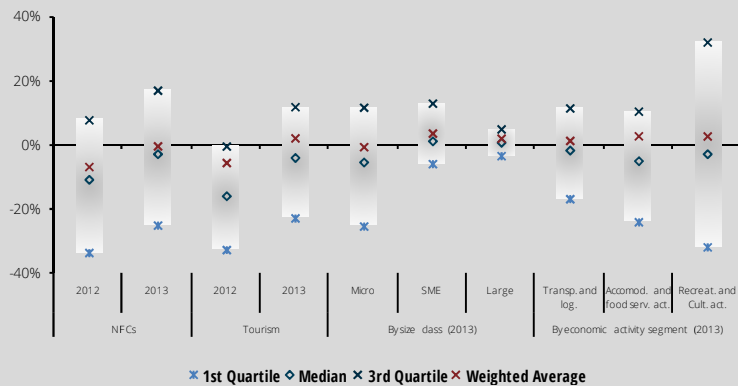


Chart 9 • Turnover | Quartile distribution and weighted average of the annual growth rate



'Transport and logistics' was the only segment recording a decrease in the domestic market, albeit only marginally. Growth was broadly based across the external market, in particular in 'Recreation and cultural activities' and 'Accommodation and food service activities'.

that cost of goods sold and materials consumed (CoGS) recorded the highest growth (6%), followed by employee expenses (2%). Supplies and external services (SES) increased marginally from the previous year (0.2%).

3.2.2. Operating expenses¹³

In line with the increase in turnover in 2013, operating expenses in *Tourism* grew by 2% (Chart 11). Broken down, these costs show

SES accounted for the most significant share in the cost structure of the *Tourism* sector (57%), followed by employee expenses (25%). This differs from the situation observed in the NFC aggregate, where CoGS came in first, accounting for 59% of operating expenses (Table 4).

Chart 10 • Turnover | Contributions from the external and domestic markets (p.p.) to the annual growth rate (%)

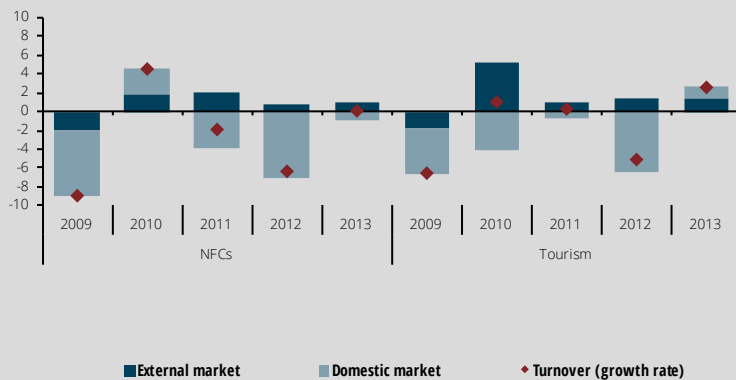


Chart 11 • Operating expenses | Annual growth rate

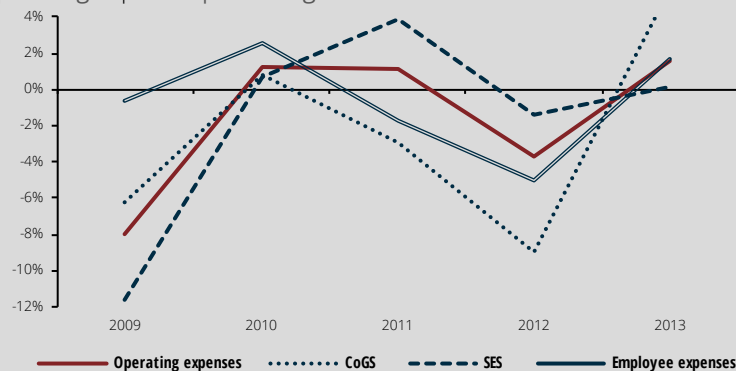


Table 4 • Operating expenses | Structure (2013)

		NFCs	Tourism
Structure	CoGS	59.4%	18.3%
	SES	25.6%	57.1%
	Employee expenses	15.0%	24.6%

3.2.3. EBITDA¹⁴

Joint developments in operating income and expenses resulted in growth of 18% in EBITDA in 2013, which exceeded the 12% growth observed in the NFC aggregate (Chart 12).

EBITDA recorded positive developments in all size classes, while, by economic activity segment, the only exception was 'Transport and logistics'. 'Accommodation and food service activities' and 'Recreation and cultural activities' increased their EBITDA in 2013 for the first time in the past five years.

Microeconomic data reveal that half of the enterprises comprised within the *Tourism* sector had a negative EBITDA in 2013 (36% of total NFCs) (Chart 13). Nevertheless, compared with 2012, the share of enterprises in this situation decreased (-1 p.p. in *Tourism* and -3 p.p. in the NFC aggregate).

Available information also shows that the larger the size class, the smaller the share of enterprises with a negative operating profit: 52% for microenterprises, 32% for SMEs and 16% for large enterprises. Compared with 2012, this indicator improved by 9 p.p. for large enterprises, 7 p.p. for SMEs and 1 p.p. for microenterprises.

By economic activity segment, 'Accommodation and food service activities' had the largest share of enterprises with a negative EBITDA (58%) in 2013, followed by 'Recreation and cultural activities' (42%) and 'Transport and logistics' (27%). Compared with 2012, 'Transport and logistics' was the only segment recording an increase in the share of enterprises in this situation (2 p.p.), as 'Recreation and cultural activities' and 'Accommodation and food service activities' decreased by 4 p.p. and 2 p.p. respectively.

3.2.4. Profitability

Return on equity¹⁵ in *Tourism* stood at -7% in 2013, nevertheless improving by 3 p.p. from 2012. The *Tourism* sector recorded a negative return on equity over the time horizon under analysis as a whole. The sector has therefore compared negatively with the NFC aggregate, where return on equity stood at 3% in 2013.

An analysis of the distribution of the returns on equity of individual enterprises shows that half of the *Tourism* sector had a return on equity below 0.2% (Chart 14). However, compared with 2012, return on equity recorded an overall improvement.

Chart 12 • EBITDA | Annual growth rate

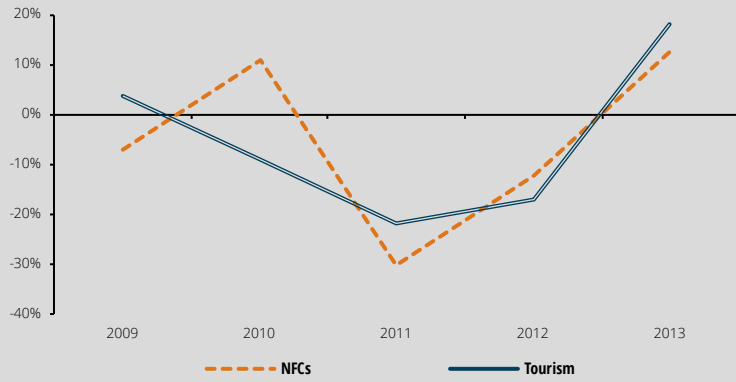


Chart 13 • EBITDA | Weight of enterprises with negative EBITDA (2012 and 2013)

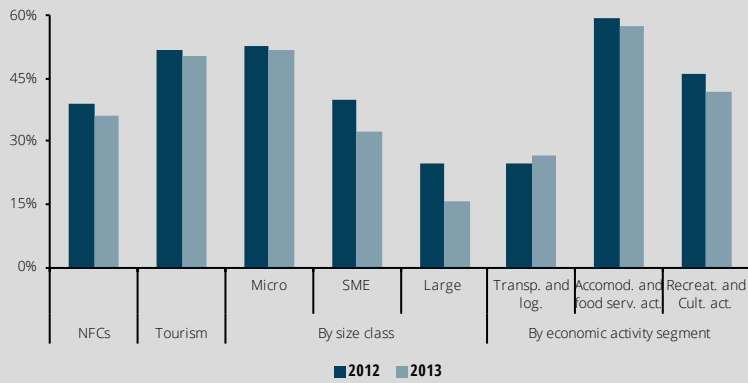
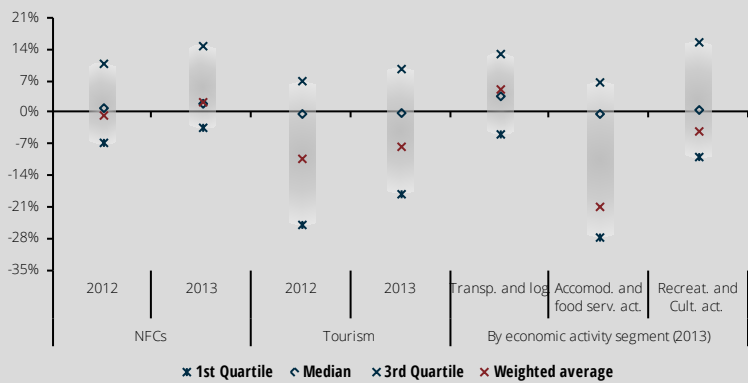


Chart 14 • Return on equity | Quartile distribution and weighted average



'Accommodation and food service activities' had the enterprises with the lowest return on equity (with a quarter of the enterprises recording a return on equity below -27%).

A more detailed analysis of return on equity on the basis of the operating margin (EBITDA/Revenue) and of the net margin (Net income/Revenue) shows how the operating profit is consumed by financial costs, taxes and depreciation and amortisation.

Hence, in 2013 the operating margin in *Tourism* amounted to 9% (i.e. for each euro in revenue, enterprises in this sector had an operating gain of 9 cents). Despite recording a positive change from the previous year (+1 p.p.), this indicator remained 3 p.p. below the level seen in 2009 (Chart 15).

Tourism had a negative net margin of 4% in 2013, improving by 1 p.p. from 2012, but remaining below the level observed in 2009 (-2 p.p.).

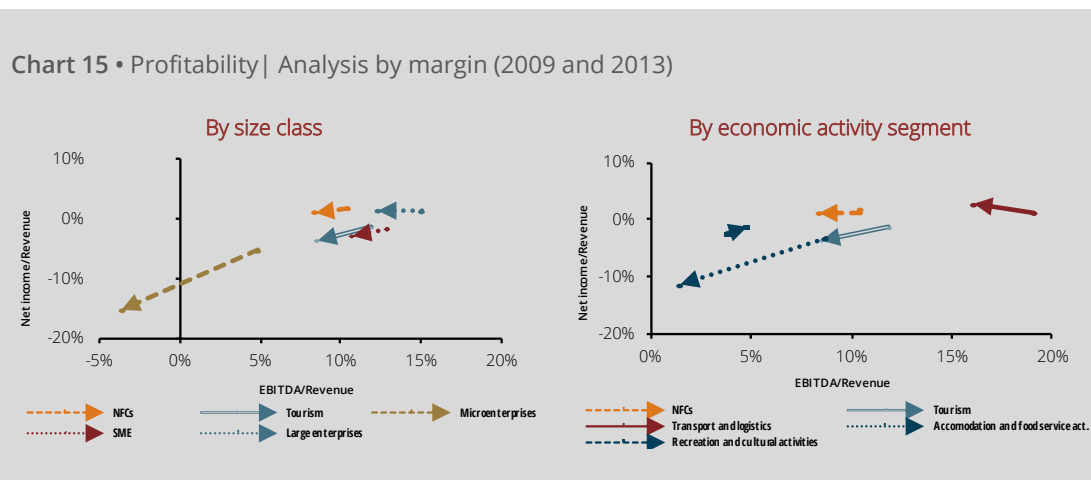
A joint analysis of these indicators shows that, although the sector records a positive return in terms of its operating activity, when financial costs, accounting costs (depreciation and amortisation) and tax costs are taken into account, the sector's return on equity is negative. This is in contrast with the situation seen in the NFC aggregate, where both the

operating margin and the net margin were positive in 2013 (8% and 1% respectively).

By size class, microenterprises recorded negative operating margins (-4%). Although large enterprises and SMEs had positive operating margins (12% and 11% respectively), only the former had a positive net margin (1%, compared with -3% for SMEs). Compared with 2009, developments in return on equity were negative for microenterprises, which saw a reversal of the operating margin and a decrease of 10 p.p. in the net margin.

All economic activities included in the *Tourism* sector had a positive operating margin in 2013 (from 1% in 'Accommodation and food service activities' to 16% in 'Transport and logistics'). Regarding the net margin, only the latter segment recorded positive values (3%), as the indicator stood at -12% for 'Accommodation and food service activities' and was marginally negative (-1%) for 'Recreation and cultural activities'.

An analysis of developments compared with 2009 shows that 'Recreation and cultural activities' had a particularly positive behaviour, recording an improvement in both indicators. 'Accommodation and food service activities' recorded opposite developments, dropping markedly in both these margins.



3.3. Financial situation

3.3.1. Financial structure

In 2013 only a quarter of total assets in the *Tourism* sector were financed by equity. In the NFC aggregate, this share accounted for 30% (Chart 16). Compared with 2009, the capital ratio of the *Tourism* sector remained virtually unchanged, growing by 2 p.p. for NFCs.

An analysis of individual data shows that all distribution positions decreased in value, i.e. the indicator deteriorated for most enterprises in the sector. Indeed, from 2009 to 2013, the median capital ratio for *Tourism* decreased by 13 p.p., by contrast with the slight increase in total NFCs (1 p.p.). In 2013

the indicator was highly heterogeneous for enterprises in *Tourism* (interquartile range of 137 p.p., compared with 69 p.p. for NFCs).

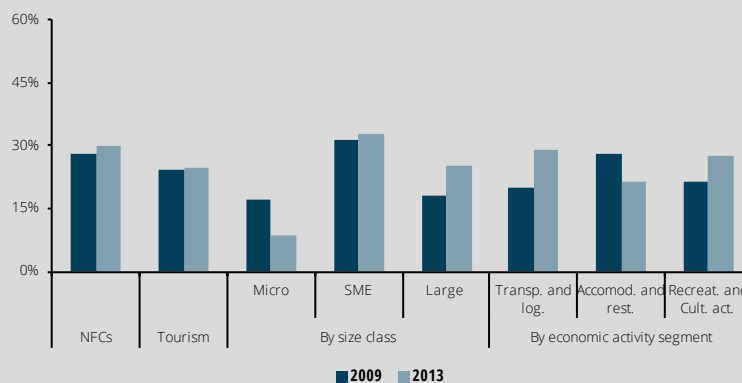
Available data show that the limited capital ratio in the *Tourism* sector is mostly due to the microenterprise size class (8%) and the 'Accommodation and food service activities' segment (21%), for which this indicator has in fact worsened when compared with 2009.

Among enterprises with low equity, those with a negative capital ratio (negative equity) are particularly vulnerable, this being the case for 45% of enterprises in the *Tourism* sector (compared with 29% for NFCs). From 2009 to 2013, this indicator increased by 12 p.p. (4 p.p. for NFCs) (Table 5).

Table 5 • Capital ratio | Share of enterprises with negative equity

Year	NFCs	Tourism	By size class			By economic activity segment		
			Micro.	SMEs	Large enterp.	Transport and logistics	Accommod. and food service activities	Recreation and cultural activities
2009	25.3%	33.1%	34.6%	18.3%	13.6%	16.2%	37.8%	32.8%
2013	29.3%	44.7%	46.4%	26.7%	6.3%	20.6%	51.8%	38.3%
2009-13	4.0 p.p.	11.6 p.p.	11.8 p.p.	8.4 p.p.	-7.4 p.p.	4.4 p.p.	14.0 p.p.	5.6 p.p.

Chart 16 • Capital ratio (2009 and 2013)



By size class, microenterprises had the highest number of enterprises with negative equity in relative terms (46%), followed by SMEs (27%) and large enterprises (6%). From 2009 to 2013, only large enterprises saw a decrease in this indicator (7 p.p.).

Throughout this period, all economic activity segments comprised within the *Tourism* sector recorded an increase in the share of enterprises with negative equity. In 2013 more than half of the enterprises in 'Accommodation and food service activities' had a negative capital ratio, with this segment making the largest contribution to this indicator in the sector under analysis.

Taking into account that this sector has low equity levels and is subsequently highly leveraged, it is important to analyse its main sources of financing.

In 2013 financial debt¹⁶ accounted for 65% of liabilities in *Tourism* (59% in NFCs), while trade credits accounted for only 7% (16% in NFCs) (Chart 17). Debt securities were the liabilities component with the least importance in the sector under analysis (5%).

A breakdown of financial debt shows that bank loans¹⁷ (55%) and intra-group financing (28%) accounted for the largest shares in this

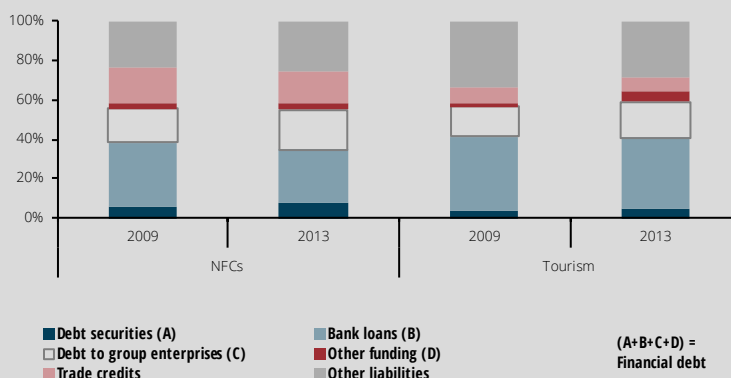
aggregate in 2013. This is similar to the situation seen in the NFC aggregate, although in this case the weight of bank loans decreases by contrast with the greater relevance of intra-group financing (47% and 34% respectively).

Compared with 2009, the debt structure in *Tourism* did not change substantially, with a decrease in bank exposure (-2 p.p., compared with -4 p.p. for NFCs) and an increase in intra-group financing (+3 p.p., the same as for NFCs).

By size class, in 2013, large enterprises had a higher exposure to financial debt (72%) than SMEs (64%) and microenterprises (58%). Similarly to the sector's total, bank loans were the largest component of financial debt for all size classes (72% for SMEs, 45% for large enterprises and 44% for microenterprises).

In 'Transport and logistics', financial debt accounted for 70% of total liabilities, compared with 63% in 'Accommodation and food service activities' and 56% in 'Recreation and cultural activities'. Bank loans were the main component of financial debt in all economic activity sections, accounting for 74% in 'Recreation and cultural activities', 58% in 'Accommodation and food service activities' and 48% in 'Transport and logistics'.

Chart 17 • Liabilities structure (2009 and 2013)



Note: Financial debt refers to the set of interest bearing debt obtained through debt securities issues, debt from banks and other financial institutions, intra-group financing and other loans. The analysis excludes liability components considered eminently related to accounting procedures, such as deferred expenses and provisions. Thus, 'Other liabilities' includes debt to the State and other public entities, non-interest bearing debt to shareholders/partners and other current liabilities and accounts payable.

Box 1 | Bank loans

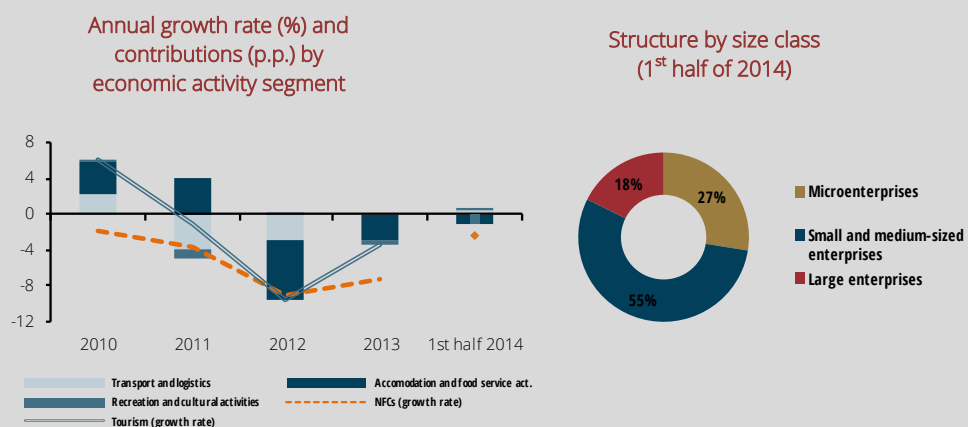
In 2013 bank loans accounted for 55% of financial debt and 36% of the *Tourism* sector's liabilities, which shows that the sector is more dependent on this source of financing compared with the NFC aggregate (47% and 28% respectively).

The share of enterprises in the sector under analysis with credit from resident credit institutions (CIs)¹⁸ was 49% at the end of 2013, below the value recorded by the NFC aggregate (58%). An analysis of the economic activity sections comprising the *Tourism* sector shows that 'Recreation and cultural activities' have the largest share of enterprises with this type of financing (56%, compared with 52% in 'Accommodation and food service activities' and 32% in 'Transport and logistics').

Loans from CIs in Portugal were analysed in greater detail based on information available in Banco de Portugal's Central Credit Register,¹⁹ focusing in particular on the latest information from the end of the first half of 2014.

The volume of credit held by the *Tourism* sector at the end of June 2014 accounted for around 9% of the total stock of bank loans granted by CIs to enterprises in Portugal (1 p.p. above the share recorded in 2009). By size class, SMEs and microenterprises held 55% and 27% of total loans granted to the *Tourism* sector respectively, while large enterprises accounted for the remaining 18% (Chart 18). By economic activity segment, 'Accommodation and food service activities' was responsible for the largest share of loans (62%), followed by 'Transport and logistics' (26%) and 'Recreation and cultural activities' (12%).

Chart 18 • Credit from resident CIs (end of period)



Despite being negative, developments in loans to the *Tourism* sector compare positively with the NFC aggregate. After a decrease of 4% in 2013 (compared with 7% for NFCs), this indicator dropped by 1% in the first half of 2014 (compared with -2% for NFCs). In this last period, 'Transport and logistics' even recorded a slight growth in the credit obtained through loans from CIs (1%).

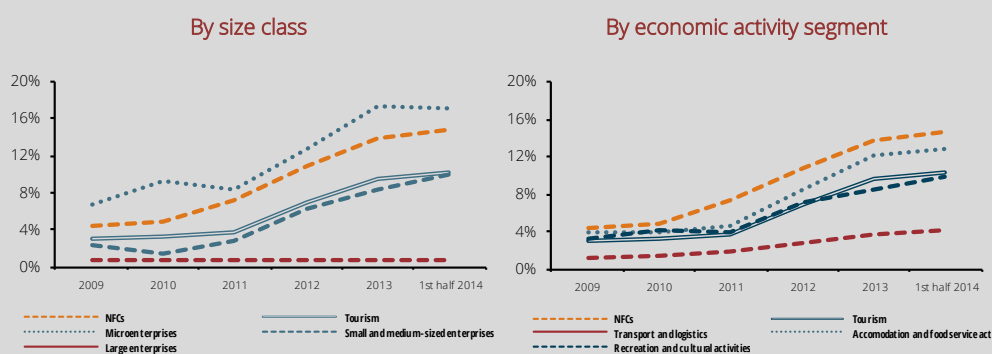
As regards indicators on credit overdue, the non-performing loans ratio²⁰ of the *Tourism* sector stood at 10%, at the end of June 2014, comparing positively with the NFC aggregate in Portugal (15%), which was also the case over the time horizon under analysis as a whole (Chart 19). Credit overdue has been increasing since 2009 in both aggregates, albeit at a slower pace in *Tourism* (+7 p.p., compared with +10 p.p. in NFCs).

The non-performing loans ratio differs considerably across size classes, and is higher in smaller enterprises: 17% in microenterprises, 10% in SMEs and 1% in large enterprises. The sector's large enterprises have remained at broadly the same level in this indicator since 2009, while microenterprises and SMEs have seen an increase in the non-performing loans ratio (10 p.p. and 8 p.p. respectively).

By economic activity segment, 'Accommodation and food service activities' had a non-performing loans ratio of 13%, above that of 'Recreation and cultural activities' (10%) and 'Transport and logistics' (4%). All economic activity segments have recorded consecutive increases in this indicator since the end of 2009, in particular 'Accommodation and food service activities' (+9 p.p., compared with +7 p.p. in 'Recreation and cultural activities' and +3 p.p. in 'Transport and logistics').

At the end of June 2014, around 31% of enterprises in *Tourism* with credit from resident CIs had non-performing loans, a share substantially higher than at the end of 2009 (19%) (Chart 20). These developments were very similar to those seen in NFCs as a whole, where the share of enterprises with non-performing loans increased from 20% to 31%.

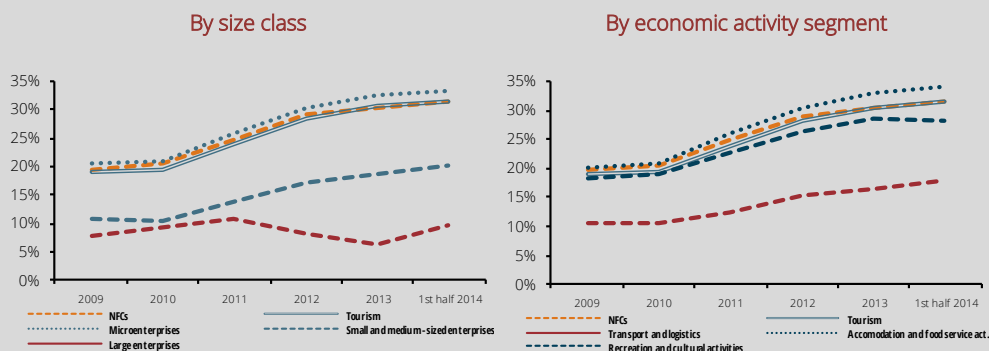
Chart 19 • Non-performing loans ratios (end of period)



Over the period under analysis, microenterprises always had the largest share of non-performing enterprises (33% at the end of the first half of 2014), followed by SMEs and large enterprises (20% and 10% respectively). The share of non-performing enterprises has been growing markedly for microenterprises and SMEs since the end of 2009 (+13 p.p. and +9 p.p. respectively) and considerably less for large enterprises (+2 p.p.).

By economic activity segment, more than one third (34%) of enterprises in 'Accommodation and food service activities' were defaulting on their loans in June 2014 (an increase of 14 p.p. from 2009), a higher share than that of 'Recreation and cultural activities' (28%, 10 p.p. more than in 2009) and 'Transport and logistics' (18%, 7 p.p. more than in 2009).

Chart 20 • Non-performing enterprises (end of period)



3.3.2. Financial costs and solvency

Given the importance of financial debt for *Tourism*, it is important to analyse the associated costs and their impact on the solvency of enterprises.

The analysis of individual data shows that, in 2013, 62% of enterprises in *Tourism* paid less

interest than in the previous year (63% in NFCs).

The share of enterprises paying less interest was higher for large enterprises and microenterprises (65% and 63% respectively). In terms of economic activity segments, 'Transport and logistics' (69%) stands out, having a share larger than that of the other segments (Table 6).

Table 6 • Interest expenses | Share of enterprises by change in the interest growth rate (2012-13)

Interest expenses (2012-13)	NFCs	Tourism	By size class			By economic activity segment		
			Micro.	SMEs	Large enterp.	Transport and logistics	Accommod. and food service activities	Recreation and cultural activities
Decrease in interest	63.1%	62.0%	62.9%	57.4%	64.9%	68.6%	61.2%	60.2%
Increase in interest	36.9%	38.0%	37.1%	42.6%	35.1%	31.4%	38.8%	39.8%

The level of financial pressure on *Tourism*, measured by the weight of interest in EBITDA, decreased by 6 p.p. compared with 2012, standing at 40%. This improvement mainly resulted from growth in EBITDA in 2013. Nevertheless, *Tourism* maintained a level of financial pressure above that of the NFC aggregate (30%).

Despite the improvement in the average indicator, individual data for 2013 show that 55% of enterprises in the sector under analysis did not generate enough EBITDA to pay interest resulting from their financial debt. This is significantly above the figure for the NFC aggregate (36%), showing that a larger share of enterprises with high financial

pressure operate in the *Tourism* sector (Table 7).

Financial pressure was particularly high in microenterprises and 'Accommodation and food service activities', with the share of enterprises with interest above EBITDA standing at around 60%. By contrast, large enterprises and the 'Transport and logistics' segment had the smallest share of enterprises in this situation (20% and 26% respectively).

Table 7 • Financial pressure | Distribution of enterprises by performance level in the indicator (2013)

Financial pressure (Interest/EBITDA)	NFCs	Tourism	By size class			By economic activity segment		
			Micro.	SMEs	Large enterp.	Transport and logistics	Accommod. and food service activities	Recreation and cultural activities
Up to 0.5	58.8%	41.7%	38.4%	60.0%	75.0%	70.2%	35.2%	54.6%
From 0.5 to 1	5.1%	3.3%	2.9%	5.0%	5.0%	3.9%	2.9%	4.9%
Above 1	36.0%	55.0%	58.7%	35.0%	20.0%	25.8%	61.9%	40.6%

Note: The class 'Above 1' includes enterprises with negative EBITDA.

3.3.3. Trade credit financing

In 2013 trade credit financing accounted for 7% of the liabilities in the *Tourism* sector (1 p.p. below the figure for 2009). In the NFC aggregate, this component represented 16% (2 p.p. less than in 2009).

In the past year, days sales and days payable outstanding in *Tourism* reached 30 and 56 days respectively. Both figures are below those of total NFCs in the same period (76 and 79 days respectively). Compared with 2012, while *Tourism* recorded a decrease of 4 days in days sales outstanding and an increase of 1 day in days payable outstanding, NFCs saw a drop in both indicators (1 and 3 days respectively).

By size class, microenterprises recorded the highest days payable outstanding (71 days) and large enterprises the lowest days sales outstanding (16 days). By economic activity segment, 'Accommodation and food service activities' had at the same time the highest days payable and the lowest days sales outstanding (73 days and 21 days respectively).

Days sales and days payable outstanding shed light on the time delay of receivables and payables derived from the operating activities of enterprises, but do not enable the analysis of the degree of corporate indebtedness. It is

thus necessary to complement this analysis with a net indicator of trade credit financing.

Net trade credit financing relates accounts payable and accounts receivable to turnover (Chart 21). A negative value implies that accounts receivable are higher than accounts payable, meaning that overall the enterprise is financing its clients; a positive value implies that accounts payable are higher than accounts receivable and the enterprise is therefore obtaining financing from its suppliers.

From 2009 to 2013, net trade credit financing in *Tourism* remained positive, in contrast with the systematically negative figure of the NFC aggregate. *Tourism* exceeded NFCs in this indicator by 6 p.p. in 2013.

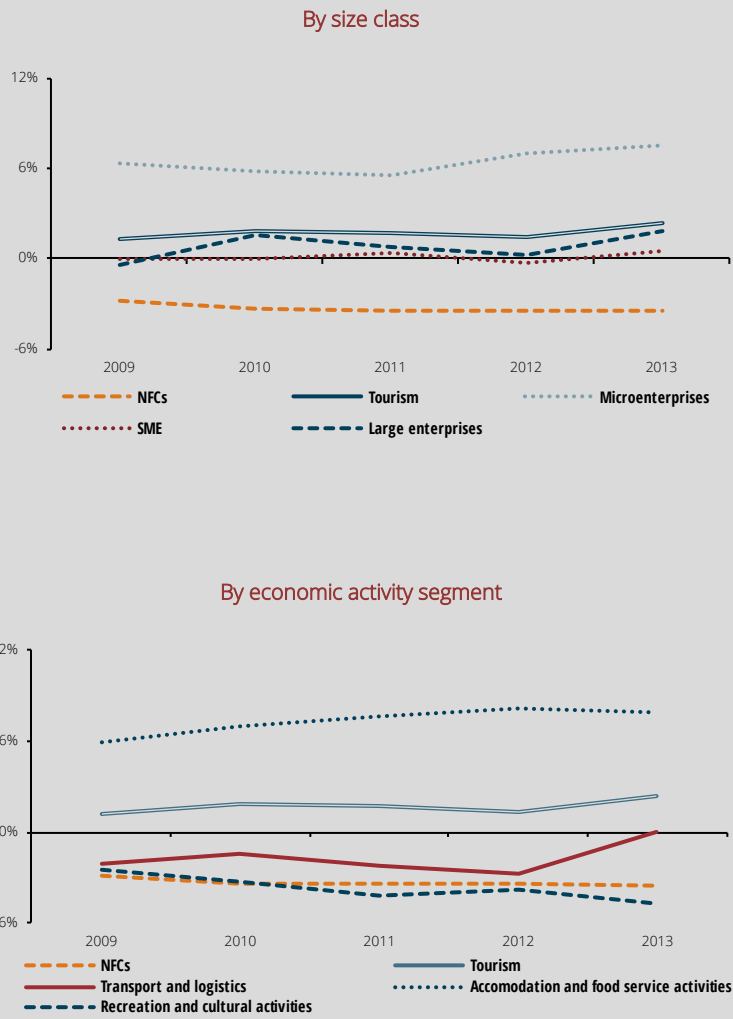
In relation to the previous year, an analysis by size class shows that microenterprises recorded a positive balance of 8%, which compares favourably with the 2% balance of large enterprises and a marginally positive figure for SMEs.

In terms of economic activity segments, 'Accommodation and food service activities' had a positive net trade credit financing (8%), with a higher volume of credit from its suppliers than to its customers. In turn, while 'Recreation and cultural activities' recorded a negative figure in this indicator over the whole

time horizon (-5% in 2013), there was a reversal in the balance of 'Transport and logistics', with this segment recording a

marginally positive balance in 2013 for the first time in the period under analysis as a whole.

Chart 21 • Net trade credit financing | As a percentage of turnover



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 | The importance of tourism in the Portuguese Balance of Payments

This Box presents the main tourism highlights from the balance of payments statistics.²¹ Overall, results confirm the importance of international tourism for the Portuguese economy.

It is possible to analyse international tourism activities on the basis of balance of payments statistics, i.e. taking into consideration expenditure on goods²² and services by foreign travellers²³ in Portugal and by Portuguese travellers abroad.²⁴ In addition, the item 'Passenger transportation' makes it possible to assess the international passenger transportation component.

The items 'Travel and tourism' and 'Passenger transportation' are both components of the balance of services. Although it is not possible to assess tourism expenses by category of goods or services or by their suppliers' economic activity on the basis of balance of payments statistics, it is clear that, in addition to transport (assessed through the item 'Passenger transportation' as regards international transport), international tourism activities have a direct impact on a very mixed set of economic activity sectors, in particular accommodation and food service activities, travel agencies and tour operators, recreation and cultural activities and trade.

In Portugal, the structural surplus in the balance of services is mainly due to the item 'Travel and tourism' (60% of the balance of services over the past few years), which, together with the item 'Passenger transportation', accounts for more than 80% in the balance of services (Chart 22).

In net terms, international tourism activities have contributed to a decline in the Portuguese economy's borrowing requirements (the economy's ability to borrow has been increasing since 2012), assessed by the joint deficit of the current and capital accounts. In effect, international tourism is a source of Portuguese resources abroad.

Chart 22 • Main components of the Balance of Services and the economy's net lending/borrowing



Although imports are very dynamic, the importance of the item 'Travel and tourism' is mainly the result of a greater expansion in tourism exports.²⁵ Revenue in 'Travel and tourism' (amounting to €9.2 billion in 2013) grew by 7.5% from the previous year. In the first half of 2014, revenue grew by 10.4% year-on-year. Imports in 'Travel and tourism', totalling €3.1 billion in 2013, recovered significantly that same year (5.9%), after slightly declining by 0.9% in the previous year. Imports in 'Travel and tourism' also grew (5.9%) in the first half of 2014. In relative terms, exports in 'Travel and tourism' were three times the value of imports in 2013 (Chart 23).

According to balance of payments information, the main tourism source markets for Portugal in 2013 were France, the United Kingdom, Spain and Germany, with revenue from the United States also increasing (21% compared with the previous year). As regards tourism destination markets for Portugal, similarly to the previous year, expenditure on tourism decreased by 11.8% vis-à-vis Brazil, while Spain, France, the United Kingdom and Germany remained the main countries of destination.

Assessed in terms of the main trade aggregates in the Portuguese balance of payments, international tourism ('Travel and tourism' and 'Passenger transportation') accounts for nearly 60% of exports of services and around 18% of exports of goods and services (trade balance). By product category, tourism is the most exported Portuguese product (21% in 2013), followed by 'machinery and equipment' (12%) and 'vehicles and other transport material' (8%) (Chart 24).

Chart 23 • Revenue and expenditure in 'Travel and tourism'

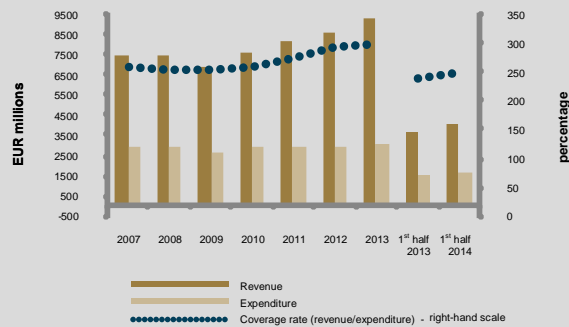
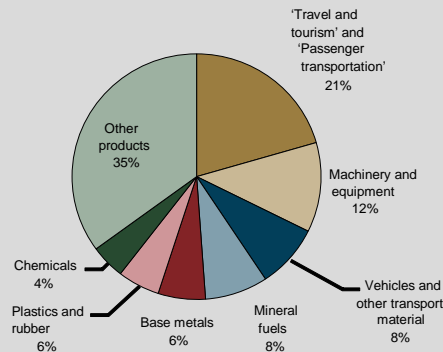


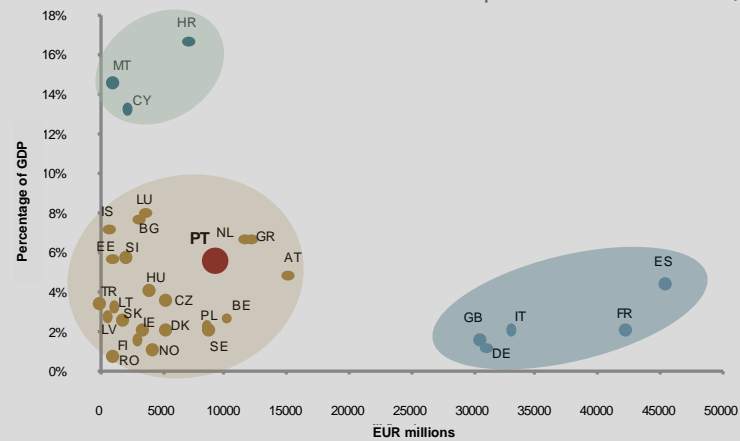
Chart 24 • Exports by product group (2013)



Sources: INE and Banco de Portugal.

In terms of GDP, the weight of revenue from 'Travel and tourism' stood at 6% in 2013. By comparison with the other European Union countries, Portugal ranks 10th in this indicator. In 2013 the European Union countries with the highest relative share of 'Travel and tourism' exports in GDP were Croatia, Malta and Cyprus (with 17%, 15% and 13% respectively). In nominal terms, the countries with the highest revenue from 'Travel and tourism' in 2013 were Spain, France and Italy. According to this criterion, Portugal occupies the 11th position in the ranking of European Union countries (Chart 25).

Chart 25 • Revenue from 'Travel and tourism' in European Union countries (2013)



Source: Eurostat.

Notes

1. The Central Balance Sheet Database of Banco de Portugal is a database with economic and financial information on NFCs in Portugal. Information used in this study is based on annual accounting data reported within the scope of *Informação Empresarial Simplificada* – IES (Simplified Corporate Information) 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 activity of the Central Balance Sheet Database, please refer to the 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*, as well as Central Balance Sheet Study | 6 *New enterprise and sector tables: adjustment to the Accounting Standards System*, December 2011.

2. The NFC sector represents 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 Council Regulation (EC) No 549/2013 of 25 May 2013. ESA 2010 is a harmonised reference on the compilation methodology and deadline for release of the national accounts of EU countries, including statistics under Banco de Portugal's responsibility. Underlying the series under analysis (2009-13) is a definition of the ESA 2010 population. Based on the national accounts standard, sole proprietors are included in the households' institutional sector. Hence, all data on the NFC sector throughout this study exclude sole proprietors (in Portugal these represent around two-thirds of the number of enterprises, but only 5% of the respective turnover).

3. For the sake of simplicity, this study refers interchangeably to the expressions 'enterprise' and 'corporation', which refer to NFCs as defined in footnote 2.

4. Turismo de Portugal, *Conceitos Estatísticos Turismo*. Contents available at www.turismodeportugal.pt (Portuguese version only).

5. For example, a restaurant in Baixa, Lisbon, may have as main customers tourists visiting the city, but part of its business always comes from residents in Portugal.

6. This is clear, for example, in several enterprises operating in the trade, health and higher education sectors.
7. The Annex details the CAE-Rev.3 sectors included in the concept of *Tourism* used in this study.
8. A definition of size classes used in this study is detailed in the Annex.
9. Geographical location refers to the district where the enterprise's head office is located.
10. 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) ten years; from ten to (but not including) 20 years; and more than 20 years.
11. As defined in *Eurostat – OECD Manual on Business Demography Statistics*, HGEs are enterprises with average annual growth greater than 20% over a three year period. Turnover is used as a variable for the calculation of the rate. For further information, see Central Balance Sheet Study | 12 *Structure and dynamics of non-financial corporations in Portugal, 2006-2012*, November 2013.
12. For more information on economic developments in Portugal, please refer to Banco de Portugal's *Annual Report – the Portuguese economy*, as well as the *Economic Bulletin* (published on a quarterly basis). Both publications are available at www.bportugal.pt.
13. The 'operating expenses' aggregate, calculated on the basis of the sum of Cost of Goods Sold and Materials Consumed (CoGS) and supplies and external services (SES) and Employee expenses, roughly corresponds to the concept of 'operating costs' of the Official Chart of Accounts (accounting standard for corporate accounts up to 2009).
14. 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.
15. Return on equity is calculated as the ratio of net income to equity and measures return on equity invested by shareholders/partners.
16. Financial debt refers to the set of interest bearing debt obtained through debt securities issues, debt from banks and other financial institutions and intra-group financing.
17. 'Box 1 | Bank loans' provides additional information on this source of funding.
18. 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.
19. 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, see Banco de Portugal Booklet No 5, *Central de Responsabilidades de Crédito* (Portuguese version only).
20. The non-performing loans ratio is calculated as the share of credit overdue in 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.
21. Portuguese balance of payment statistics are compiled by Banco de Portugal.
22. By contrast with the remaining items in the balance of services, where data are recorded according to the underlying service, data are recorded in 'Travel and tourism' basically depending on the characteristics of the person responsible for the expenditure (travellers, visits of less than one year).
23. Visits of less than one year. Including the business tourism component.
24. Results calculated for the item 'Travel and tourism' in the balance of payments may not correspond to results calculated using other statistics on international tourism expenditure, owing to conceptual differences (e.g. the definition of tourist/traveller and the type of transaction covered). For example, by contrast with other statistics, 'Travel and tourism' includes expenditure of seasonal and frontier workers and transactions without monetary compensation (e.g. expenditure borne from gifts and use of a second home within the country of destination).
25. Within the Portuguese balance of payments, revenue in 'Travel and tourism' correspond to exports from the Portuguese economy and include expenditure on goods and services in Portugal by non-resident travellers during visits of less than one year, while expenditure in 'Travel and tourism' (representing imports) corresponds to expenditure on goods and services abroad by residents in Portugal during visits of less than one year.





ANNEX

Main indicators of the Tourism sector

Methodological summary

ANNEX • Main indicators of the Tourism Sector (2013)

	Sector characterisation		Activity				Financing			Profitability		
	Turnover held by large enterprises	Turnover held by the largest enterprises (TOP 10%)	Growth rates		Capital ratio	Growth rates		Net trade credit financing (% of turnover)	Weight of interest in EBITDA	Credit obtained from resident CIs (June 2014)		Return on equity
			Turnover	EBITDA		Trade credits	Bank loans			% of non-performing enterprises	Non-performing loans ratio	
NFCs	43%	89%	0.1%	12%	30%	-3%	-8%	-4%	30%	31%	15%	3%
Tourism	41%	85%	3%	18%	25%	3%	-7%	2%	40%	31%	10%	-7%
Transport and logistics	74%	98%	2%	-1%	29%	16%	-7%	0.1%	19%	18%	4%	5%
Accommodation and food service activities	13%	69%	3%	-	21%	1%	-8%	8%	303%	34%	13%	-21%
Recreation and cultural activities	16%	87%	3%	82%	28%	-11%	2%	-5%	37%	28%	10%	-4%

Weight of the Tourism sector

	Number of enterprises		Turnover		Number of employees	
	2003	2013	2003	2013	2003	2013
NFCs	12%	13%	4%	5%	8%	10%

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 Standards System, adjusting the data reported under the old standard (POC – *Plano Oficial de Contabilidade* – 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.

Quartile distribution: In order to calculate quartiles, the enterprise values for the indicator under analysis are ranked 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 shows 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 – *New enterprise and sector tables: adjustment to the Accounting Standards System*, December 2011.

Return on equity: Ratio of net income for the year 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 EUR 2 million and EUR 50 million and/or an annual balance sheet total between EUR 2 million and EUR 43 million. Large enterprises are any enterprises which are not classified above.

Tourism sector: Table A1 shows further information on the subclasses that comprise the *Tourism* sector under analysis in this study.

Table A1 • Composition of the Tourism sector

Economic activity segment	CAE (Rev.3)	Name
Transport and logistics	49320	Taxi operation
	49392	Other miscellaneous land passenger transport, n.e.c.
	50101	Sea passenger water transport
	50102	Coastal and local passenger water transport
	50300	Inland passenger water transport
	51100	Passenger air transport
	52213	Other supporting land transport activities
	52220	Service activities incidental to water transportation
	52230	Service activities incidental to air transportation
	77110	Renting and leasing of cars and light motor vehicles
	77340	Renting and leasing of water transport equipment
	77350	Renting and leasing of air transport equipment

Table A1 • Composition of the Tourism sector (continued)

Economic activity segment	CAE (Rev.3)	Name
Accommodation and food service activities	55111	Hotels with restaurant
	55112	Guest houses with restaurant
	55113	Inns with restaurant
	55114	Lodging-houses with restaurant
	55115	Motels with restaurant
	55116	Apartment-hotels with restaurant
	55117	Holiday villages with restaurant
	55118	Holiday flats with restaurant
	55119	Hotel and similar establishments with restaurant, n.e.c.
	55121	Hotels without restaurant
	55122	Guest houses without restaurant
	55123	Holiday flats without restaurant
	55124	Hotel and similar establishments without restaurant, n.e.c.
	55201	Letting services of short-stay furnished accommodation
	55202	Short-stay lodging in farmhouses
	55203	Holiday camps
	55204	Other short-stay lodging, n.e.c.
	55300	Camping grounds, recreational vehicle parks and trailer parks
	55900	Other accommodation
	56101	Traditional restaurants
	56102	Snack bars
	56103	Self-service restaurants
	56104	Typical restaurants
	56105	Restaurants with dance floor
	56106	Confection of ready meals for take-away
	56107	Restaurants and mobile food service activities n.e.c.
	56210	Event catering activities
	56301	Cafés
	56302	Bars
	56303	Pastry/tea shops
	56304	Other beverage establishments without entertainment
	56305	Beverage establishments with room to dance

Table A1 • Composition of the Tourism sector (continued)

Economic activity segment	CAE (Rev.3)	Name
	79110	Travel agency activities
	79120	Tour operator activities
	79900	Other reservation service and related activities
	86905	Health spa activities
	90010	Performing arts
	90020	Support activities to performing arts
	90040	Operation of arts facilities
	91020	Museums activities
Recreation and cultural activities	91030	Operation of historical sites and buildings and similar visitor attractions
	91041	Botanical and zoological gardens activities
	91042	Parks and nature reserves activities
	93110	Operation of sports facilities
	93210	Activities of amusement parks and theme parks
	93292	Activities of recreation ports (marinas)
	93293	Organisation of recreational tourism activities
	93294	Other amusement and recreation activities n.e.c.
	96040	Physical well-being activities

Abbreviations and acronyms

CAE	Portuguese Classification of Economic Activities
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
HGEs	high-growth enterprises
IES	<i>Informação Empresarial Simplificada</i> (Simplified Corporate Information)
INE	Instituto Nacional de Estatística (Statistics Portugal)
NFCs	non-financial corporations
POC	<i>Plano Oficial de Contabilidade</i> (Official Chart of Accounts)
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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