ANALYSIS OF ENTERPRISES IN THE EXPORT SECTOR IN PORTUGAL

Central Balance Sheet Studies

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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 financing of enterprises in Portugal available in other databases of the Statistics Department of Banco de Portugal, in particular *Central de Responsabilidades de Crédito* (Central Credit Register – CCR). This information characterises a significant share of the liabilities of Portuguese enterprises, particularly loans from the financial sector.

Summary

This study analyses the export sector of non-financial corporations (NFCs) resident in Portugal mostly based on data from the Central Balance Sheet Database for the 2007-13 period.

Included in the export sector are enterprises for which the external market is more relevant, i.e. enterprises with, each year, at least 50% of turnover from exports of goods and services or at least 10% of turnover from exports of goods and services where these exceed €150,000.

On average, 19,000 enterprises were identified as exporters per year. There is a relative concentration of exports in a subset of enterprises common to the period under analysis as a whole. In 2013 this subset was made up of 5,000 enterprises (22% of exporting enterprises), accounting for 66% of total exports. The 100 largest exporters (0.5% of the total) represented 45% of exports.

In the period under analysis, a significant share of active enterprises redirected their supply to the external market, accounting for 26% of exporting enterprises in 2013 (15% of exports). In turn, new enterprises, directed towards the external market since their creation, accounted for a smaller share. In 2013, they accounted for 12% of total exporting enterprises and 4% of the volume of exports.

In 2013 the export sector accounted for 5% of the number of enterprises, 23% of the number of employees and 35% of turnover of NFCs in Portugal. Compared with 2007 this sector's representativeness increased by 1 p.p., 3 p.p. and 8 p.p. in the number of enterprises, the number of employees and turnover respectively.

The export sector is particularly important for *Manufacturing*, *Mining and quarrying* and *Transportation and storage* and is responsible for more than half of the turnover in these activities.

Openness to trade increases with enterprise size. In 2013 only 4% of microenterprises were exporting enterprises, compared with 21% of small and medium-sized enterprises (SMEs) and 41% of large enterprises.

Exporting enterprises have been more dynamic than other enterprises in Portugal, showing more positive developments in turnover for most of the period under analysis. The margins (EBITDA and net margin) of exporting enterprises show a more favourable situation than the ones of non-exporting enterprises, particularly the net margin (net profit for the period/income). In terms of return, the export sector has a smaller share of enterprises with negative EBITDA and net profit for the period than the non-export sector.

In 2013 the financial situation of the export sector compared favourably with the remaining enterprises: a higher capital ratio (36% compared with 28%), a smaller share of enterprises with negative equity (13% compared with 30%) and less financial pressure (20% compared with 36%).

Interest-bearing debt accounts for the largest share of external financing both for exporting and non-exporting enterprises. Debt securities issues are more relevant for exporting enterprises (17% compared with 4%), although 21% of the liabilities of the export sector were trade credits in 2013 (14% for the remaining enterprises).

Available information for 2014, compiled by the Central Credit Register of Banco de Portugal, shows that loans to the export sector by the resident financial sector increased by 0.9% from 2013, comparing favourably with loans to total NFCs (a drop of 4.9%). The non-performing loans ratio in the export sector was below the average for NFCs in the period under analysis as a whole. In 2014 the non-performing loans ratio stood at 3.3% for the export sector and 15% for total NFCs.

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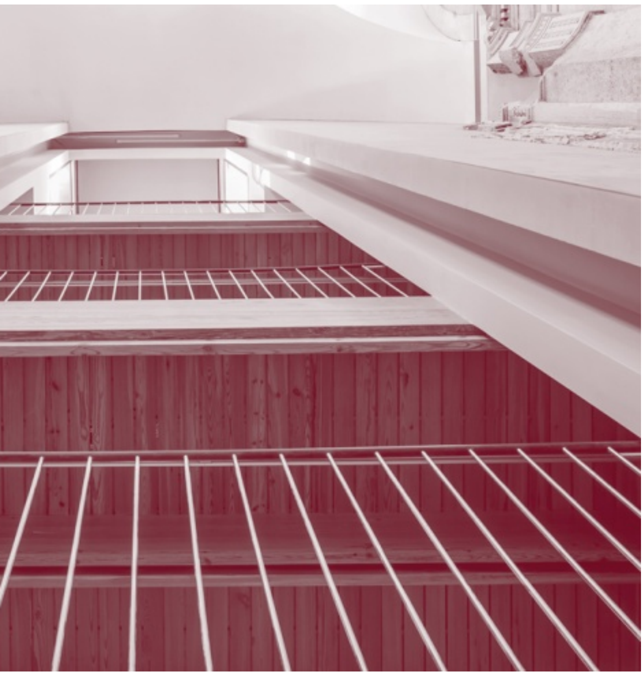


ANALYSIS OF ENTERPRISES IN THE EXPORT SECTOR IN PORTUGAL

1. Introduction

Portuguese exports grew considerably in the past few years, with their weight in GDP going from 31% in 2007 to around 40% in 2014.

Developments in the export capability are essential to the success of the process of adjustment in the Portuguese economy. It is therefore crucial to have detailed information on the Portuguese export sector.

This study analyses the set of exporting enterprises[1] in Portugal, during the 2007-13 period, based on information compiled by the Central Balance Sheet Database,[2] while 2014 is analysed where additional information is available, specifically regarding financing by bank loans.

Included in the export sector are enterprises for which the external market is more relevant, i.e. enterprises which have each year:

- at least 50% of turnover from exports of goods and services; <u>or</u>

- at least 10% of turnover from exports of goods and services where these exceed €150,000.

Results shown in this study refer to *exporting enterprises* identified using these criteria for each year in the 2007-13 period. This set of enterprises corresponds to 95% of total exports, but accounts on average for 40% of the population of enterprises with exports in the time horizon under analysis.

Characterising this set of enterprises, as opposed to the remaining enterprises operating in Portugal, more oriented towards the domestic market (identified in this study as *non-exporting enterprises*), helps identify the factors that are specific to an activity mostly associated with exports. This latter set covers enterprises in different situations, including those which do not export due to the nature of their activities, those which could export but do not, as well as enterprises with exports below the thresholds established for this study.

The analysis starts by characterising the structure and dynamics of exporting enterprises, specifically by size class,[3] economic activity sector, geographical location[4] and maturity.[5] It then analyses a set of economic and financial indicators on these enterprises, comparing them with the aggregate of non-exporting enterprises in Portugal. Finally, it assesses loans granted by resident credit institutions to exporting enterprises.

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

2. Structure and dynamics

2.1. Representativeness

This section starts by analysing the weight of the export sector in the set of non-financial corporations (NFCs) both in terms of total enterprises and by breaking it down by economic activity sector, size class and geographical location of the head office.

In the period under review, an average of 19,000 exporting enterprises were identified per year, out of a total of 46,000 individual enterprises throughout the period under analysis as a whole. In 2013 around 21,000 exporting enterprises were identified, accounting for an increase of 27% from 2007.

In 2013 the export sector accounted for 5% of the number of enterprises, 23% of the number of employees and 35% of turnover of NFCs in Portugal. Compared with 2007, its representativeness increased by 1 p.p., 3 p.p. and 8 p.p. in the number of enterprises, the number of employees and turnover respectively (Chart 1).

The export sector is particularly important for *Manufacturing*, *Mining and quarrying* and *Transportation and storage*, accounting for more than half of the turnover in these activities in 2013. In the opposite situation are *Trade*, *Electricity and water* and *Other services*, where the export segment represented less than 18% of turnover (Chart 2).

Chart 1 • Weight of the export sector in total NFCs (2007 and 2013)

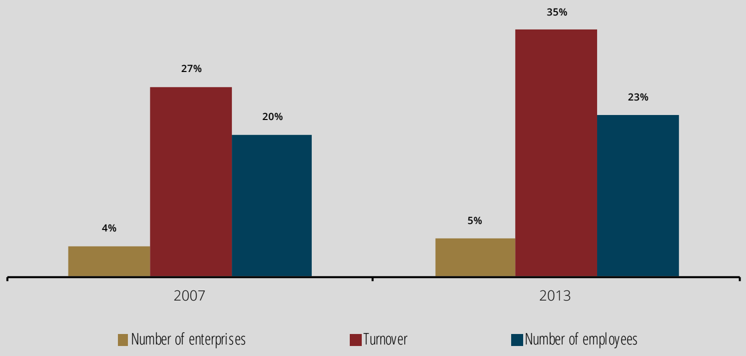
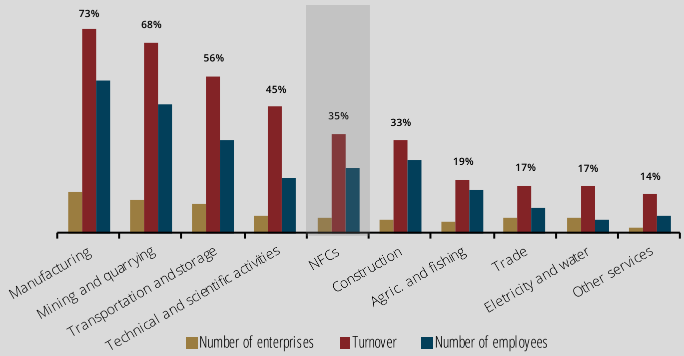


Chart 2 • Weight of the export sector | By economic activity sector and in descending order of the weight assessed on the basis of turnover (2013)



Openness to trade increases with enterprise size. In 2013 only 4% of microenterprises were exporting enterprises (21% for small and medium-sized enterprises (SMEs) and 41% for large enterprises (Chart 3). The same proportion was seen for the number of employees and turnover.

In terms of geographical location of the head office, Aveiro, Viana do Castelo, Braga, Porto and Leiria stand out, with the weight of the export sector in these districts exceeding the national average in any of the variables considered. In 2013 Aveiro was the district where the export sector was most relevant, with the weight of exporting enterprises exceeding the national average by 2 p.p., 16 p.p. and 18 p.p. in the number of enterprises, turnover and the number of employees respectively (Chart 4).

As for the districts of Setúbal, Funchal and Beja, the national average was only exceeded in terms of turnover of exporting enterprises, which points to enterprises with their head office in this district being of a larger size. In the district of Lisbon, the number of enterprises and turnover of exporting enterprises were less relevant, by less than 1 p.p. and by 3 p.p. respectively, compared with the national average, and by 6 p.p. in the number of employees.

Chart 3 • Weight of the export sector | By size class (2013)

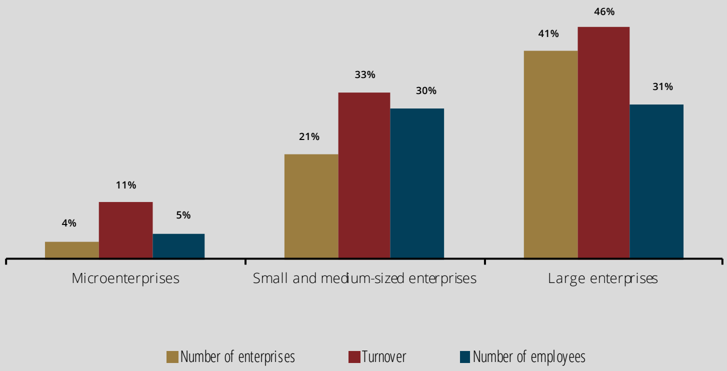
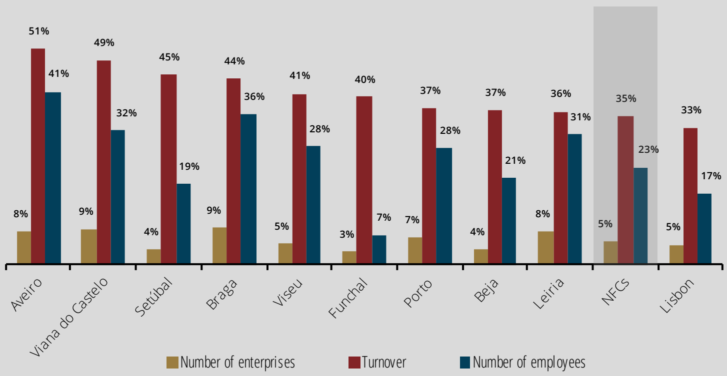


Chart 4 • Weight of the export sector | By geographical location of the head office and in descending order of the weight assessed on the basis of turnover (2013)



Note: In addition to the NFC aggregate, the chart shows the ten districts where the export sector has a larger weight in total turnover.

2.2. Structure

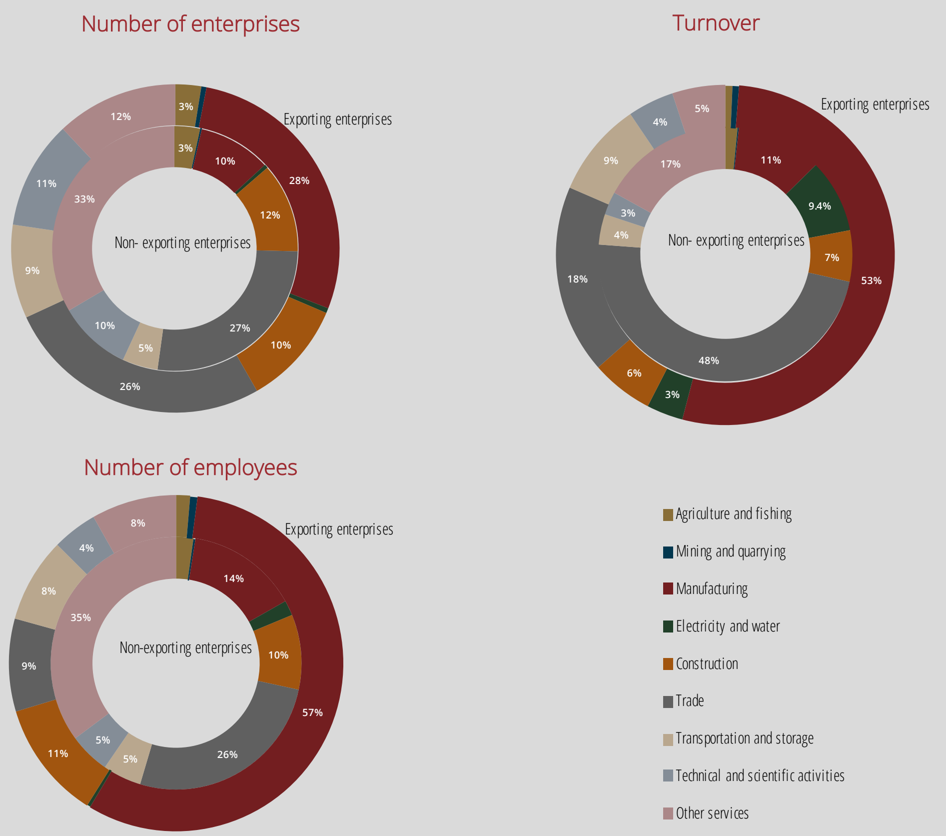
The previous section analysed the relative weight of exporting enterprises in total NFCs. In this section the focus is different, aimed at analysing how exporting enterprises are broken down by economic activity sector, size class, geographical location of the head office and maturity class. It also compares the distribution of the set of exporting enterprises with that of non-exporting enterprises.

The breakdown of exporting enterprises by economic activity sector is considerably different from that of non-exporting enterprises, mostly due to the importance of *Manufacturing*. In 2013 *Manufacturing* accounted for 57%, 53% and 28% respectively of the number of employees, turnover and the number of enterprises in the export sector, compared with 14%, 11% and 10% respectively for non-exporting enterprises (Chart 5).

In *Manufacturing*, turnover of exporting enterprises is relatively dispersed among the various activities, in particular, in 2013, CAE 19 – *Manufacture of petroleum products*, where 17% of turnover is generated by exporting enterprises.

Transportation and storage is also more important for the set of exporting enterprises (around 9% in any of the variables considered), compared with non-exporting enterprises (approximately 5%).

Chart 5 • Structure of enterprises in the export and non-export sectors | By economic activity sector (2013)



By contrast, *Other services* and *Trade* have a smaller weight in the export sector, mainly in terms of turnover and the number of employees. In *Trade* the difference between exporting and non-exporting enterprises is 30 p.p. and 17 p.p. for turnover and the number of employees respectively (12 p.p. and 27 p.p. for *Other services*).

Microenterprises are less relevant in the export sector, representing 59% of the number of enterprises, 6% of the number of employees and 5% of turnover in 2013 (91%, 35% and 21% respectively in non-exporting enterprises). By contrast, large enterprises account for 2% of total exporting enterprises, representing 56% of their turnover and 36% of their number of employees (0.2%, 36% and 24% respectively in the non-exporting sector) (Chart 6).

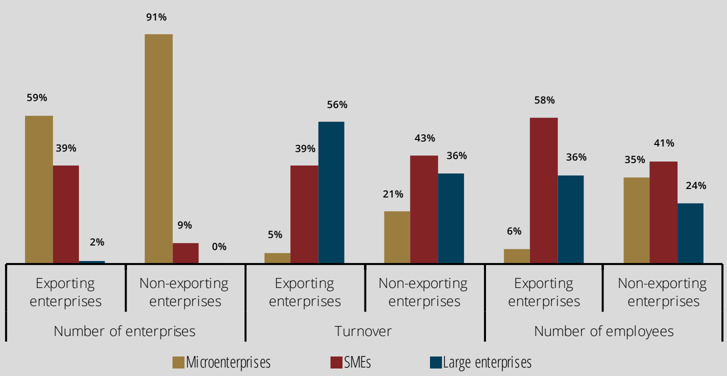
Exporting enterprises are mostly located in the districts of Lisbon and Porto, respectively accounting for 25% and 21% of the number of enterprises, 26% and 22% of the number of employees and 41% and 17% of turnover.

Different conclusions regarding geographical location may be drawn from comparing this segment with the non-exporting segment. These differences are illustrated in Chart 7, which shows the differential between the weights of each district in the two sets of enterprises in 2013, taking into account two variables: the number of enterprises and turnover.

Against this background, the districts of Aveiro, Braga and Porto are more relevant for the export sector than for the set of non-exporting enterprises (1st Quadrant of Chart 7). For these districts, the differentials between the structures of the export and non-export sectors correspond to 3 p.p., 5 p.p. and 3 p.p. respectively in terms of the number of enterprises (4 p.p., 2 p.p. and 1 p.p. in terms of turnover). The district of Viana do Castelo is in the same situation, albeit with less significant differentials.

For Leiria, in turn, the larger relative weight of the number of enterprises does not result in a larger relative weight in turnover, which points to exporting enterprises in this district being of a smaller size.

Chart 6 • Structure of the export and non-export sectors | By size class (2013)



The district of Setúbal stands out, as it has a larger relative weight in the export sector in terms of turnover (7%, compared with 5% for the set of non-exporting enterprises), but a smaller relative weight in the number of enterprises (4%, compared with 6% in non-exporting enterprises), which reflects the existence of larger exporting enterprises. Viseu and Funchal are in a similar situation, albeit to a lesser extent (2nd Quadrant of Chart 7).

These differences are offset to differing degrees by the other districts, particularly Lisbon and Faro, whose weight decreases in the export sector in terms of turnover (5 p.p. and 2 p.p. respectively) and number of enterprises (4 p.p. and 3 p.p. respectively), compared with their weight in the non-export sector (3rd Quadrant of Chart 7).

As regards maturity, the export sector is clearly dominated by older enterprises: in 2013 enterprises established for more than 20 years were responsible for 63% of the turnover of exporting enterprises. In the case of non-exporting enterprises, enterprises established for more than 20 years contribute less in terms of turnover (47%) (Chart 8).

Chart 7 • Differential between the structures of the export and non-export sectors | By geographical location of the head office, based on the number of enterprises and turnover (2013)

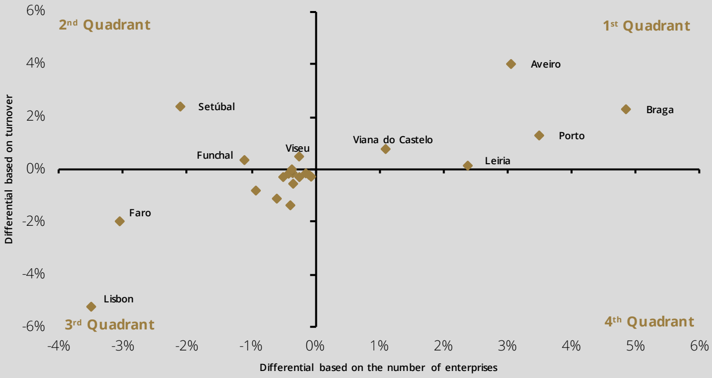
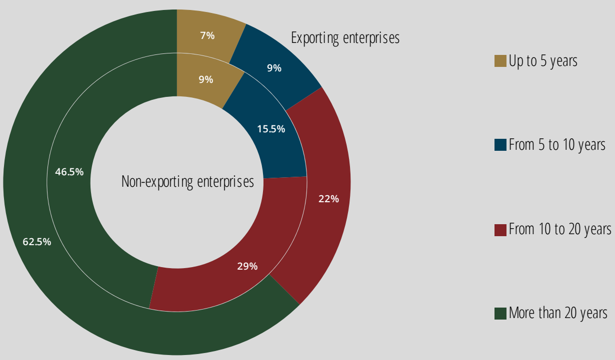


Chart 8 • Structure of the export and non-export sectors | By maturity class, based on turnover (2013)



2.3. Dynamics and concentration

The export sector comprised around 46,000 enterprises in the 2007-13 period. However, the number of exporting enterprises identified each year is smaller (on average, 19,000 enterprises per year) and incorporates both a set of fixed enterprises and the balance of entries and exits that take place each year.

The 46,000 exporting enterprises identified therefore include a subset of approximately 5,000 enterprises that are common to all years. In 2013 this subset accounted for only 22% of that year's exporting enterprises, but comprised 66% of the total volume of exports (Chart 9). This set of enterprises was also responsible for more than 70% of the growth in NFC exports in Portugal from 2007 to 2013. It can therefore be concluded that a very significant share of Portuguese exports is associated with a small and stable set of enterprises, which we will call **common**, and which will be the subject of a detailed analysis due to its relevance.

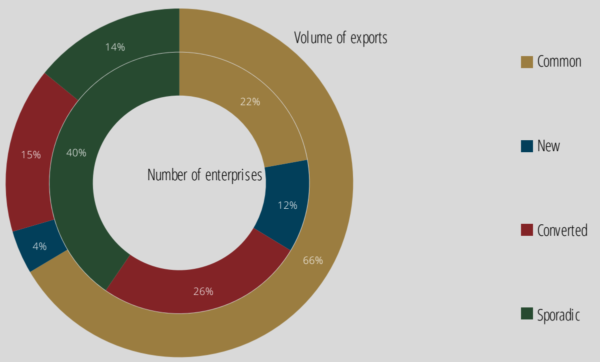
Another important component in the population of exporting enterprises each year is the entrance flow of enterprises. This flow may be broken down into:

- Enterprises which are created during this period and are oriented towards the external market since the start of their activity (**new**); and
- Enterprises which, although already active, are redirected to the external market (**converted**).

In the period under analysis, the share of created enterprises focusing immediately on the external market was smaller than the share of enterprises redirecting their activities abroad. In 2013 new exporting enterprises represented 12% of the total number of exporting enterprises, while converted enterprises accounted for 26%. This situation is also reflected in total exports, with the former accounting for only 4% of total exports and the latter for 15%.

These data show that a relevant share of enterprises redirected their supply to the external market. Nevertheless, export growth in Portugal in the period under analysis was mostly due to enterprises already operating in the external market (common).

Chart 9 • Dynamics of the set of exporting enterprises | By number of enterprises and volume of exports (2013)



Note: Common – enterprises which carried out their activities as exporting enterprises during the 2006-13 period as a whole; New – enterprises created between 2006 and 2012 (inclusive), and which have been exporting enterprises since their creation; Converted – enterprises which became exporting enterprises in a period following their creation and which have remained so in all subsequent periods; Sporadic – enterprises which do not systematically comply with the requirements for being labelled as exporting enterprises, including enterprises created in the last year under analysis (2013), as well as enterprises which started exporting in that year, given that it is not possible to assess their existence on the list of exporters for more than one period.

In addition, a large number of enterprises are sporadically present in the external market. However, proportionally their contribution to total exports is less representative. In 2013 these enterprises accounted for 40% of exporting enterprises but only 14% of exports, which indicates that the overwhelming majority of exports (86%) was associated with enterprises with stable relationships abroad.

In sectoral terms, *Manufacturing* stands out in the set of common enterprises, while *Trade* is more relevant in new exporting enterprises, partly due to the strategy of concentrating on entities specialising in operations abroad, followed by some economic groups (Chart 10).

The same economic activity sectors stand out in converted enterprises, with *Trade* and *Manufacturing* placing first and second, respectively, in the breakdown of the volume of exports for this set of enterprises.

Finally, the analysis shown in Chart 11 confirms a high concentration of exports in a small number of enterprises, which has increased over time. In 2013 the 10 largest exporting enterprises (0.05% of the total) accounted for 23% of exports. Considering the 100 largest (0.5% of the total) or the 1,000 largest (5% of the total), this share increases to close to 45% and 75% respectively.

Chart 10 • Structure of the export sector | By economic activity sector, common exporting enterprises, new exporters and converted enterprises, based on the volume of exports (2013)

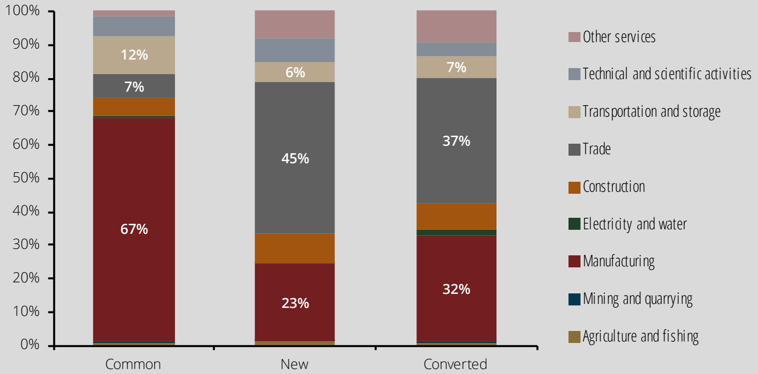
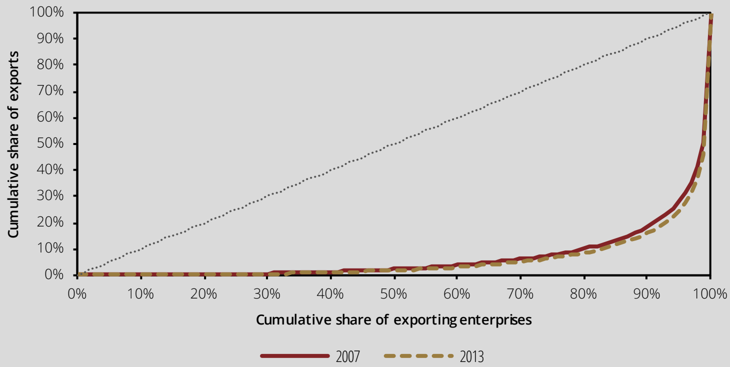


Chart 11 • Concentration of exports in the set of exporting enterprises (2007 and 2013)



3. Economic and financial analysis

3.1. Economic environment

In 2013 the Portuguese GDP decreased by 1.6% in real terms, after dropping by 4% in 2012. With the exception of exports (which grew by 6.4%), all other components recorded negative developments (Table 1).

Private consumption contracted by 1.5% (after falling by 5.5% in 2012), against a background of an additional adjustment in the household expenditure and indebtedness levels. Public consumption decreased by 2.4% (a fall of 3.3% in 2012), mainly reflecting a decrease in employee expenses. Gross fixed capital formation decreased by 6.7% (a drop of 16.6% in 2012). This decrease was broadly based across all institutional sectors. Imports reverted the trend seen in the previous two years (-5.8% in 2011 and -6.3% in 2012), growing by 3.9% in 2013.

Despite the annual drop, economic activity recovered from the second quarter of 2013 onwards. 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.

For 2014, preliminary data from 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 a year before.[6]

Table 1 • GDP and key expenditure components | Real year-on-year rate of change

	2009	2010	2011	2012	2013	2014 (p)
GDP	-3.0%	1.9%	-1.8%	-4.0%	-1.6%	0.9%
Private consumption	-2.3%	2.4%	-3.6%	-5.5%	-1.5%	2.1%
Public consumption	2.6%	-1.3%	-3.8%	-3.3%	-2.4%	-0.3%
Gross fixed capital formation	-7.6%	-0.9%	-12.5%	-16.6%	-6.7%	2.5%
Exports	-10.2%	9.5%	7.0%	3.4%	6.4%	3.4%
Imports	-9.9%	7.8%	-5.8%	-6.3%	3.9%	6.4%

Sources: INE and Banco de Portugal.

Note: (p) – preliminary data.

3.2. Activity and profitability

3.2.1. Turnover

According to annual data from the Central Balance Sheet Database for the 2007-13 period, exporting enterprises have been more dynamic than other enterprises in Portugal.

The analysis of the distribution of turnover growth rates shows that most enterprises in the export segment have performed better than non-exporting enterprises. The sole exception was 2009, a year marked by a strong contraction in international trade (Chart 12).

In 2013 half of the exporting enterprises had a turnover growth rate above 5% (corresponding to the median).

By contrast, for the set of non-exporting enterprises the median stands at -3%. This indicator recovered in both sets of enterprises in 2013, after declining for two years.

3.2.2. Operating expenses [7]

The trend shown by operating expenses was mixed, closely associated with developments in turnover.

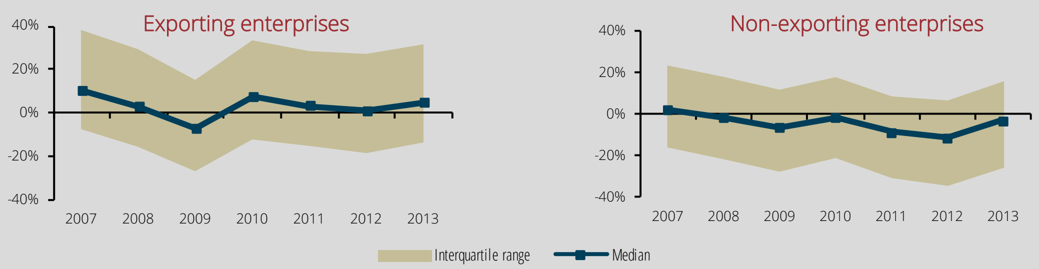
In 2013 operating expenses in the export segment decreased by around 1%, with all items experiencing decreases. These expenses stagnated in the non-export segment, with drops in supplies and external services (SES) and employee expenses being offset by an increase in the cost of goods sold and materials consumed (CoGS) (Table 2).

Nevertheless, the operating expenses structure of the two sets of enterprises was very similar in the 2007-13 period. In 2013 CoGS accounted for close to 60% of operating expenses both for exporting enterprises and non-exporting enterprises, followed by SES for both sets of enterprises (Chart 13).

Table 2 • Operating expenses | Annual growth rate (2012 and 2013)

	Exporting enterprises		Non-exporting enterprises		Common exporting enterprises	
	2012	2013	2012	2013	2012	2013
CoGS	1.3%	-1.0%	-8.4%	1.6%	0.2%	-0.2%
SES	3.8%	-1.3%	-15.7%	-3.6%	-0.5%	1.3%
Employee expenses	3.7%	-2.5%	-10.5%	-1.0%	-0.3%	0.8%
Operating expenses	**2.4%**	**-1.3%**	**-10.7%**	**-0.1%**	**-0.1%**	**0.3%**

Chart 12 • Turnover | Quartile distribution of annual growth rates (2007 to 2013)



3.2.3. Return on equity

Overall, the profitability indicators of the export sector compare favourably with those of the non-export sector.

In the 2007-13 period, with the exception of 2009, a year marked by a strong contraction in world trade, the share of enterprises with EBITDA growth[8] was larger in the export sector, compared with the non-export sector (Chart 14). In 2013 the differential stood at 4 p.p., with EBITDA growing in 57% of exporting enterprises, compared with 53% of non-exporting enterprises.

A more detailed analysis of profitability in the two segments in 2007 and 2013 shows that the export sector has a smaller share of enterprises with negative EBITDA and negative net profit for the period, compared with the non-export sector (Chart 15).

In addition, both indicators have deteriorated more markedly in the set of non-exporting enterprises in 2007 and 2013. In this segment, the share of enterprises with negative EBITDA increased by 7 p.p. and the share of enterprises with negative net profit for the period increased by 4 p.p. (compared with +2 p.p. and -1 p.p. respectively for the export segment).

An analysis of the weight of profit in income shows that exporting enterprises are in a more positive situation than non-exporting enterprises, particularly in their net margin (net profit for the period/income),[9] where the differential reached 3 p.p. in 2013 (Chart 16). The difference in the EBITDA margin decreased to less than 1 p.p..

Compared with 2007, the gap between the margins of the two sectors is narrowing. Although the margins have decreased in both segments, the drop was more marked for exporting enterprises, with both the EBITDA margin and the net margin dropping by 7 p.p. and 6 p.p. respectively. These negative developments seen in the margins may be related to an effort to increase the market share abroad. In the non-export segment, both margins decreased by 2 p.p..

Common exporting enterprises had a smaller share of enterprises with EBITDA growth in 2013 (compared with exporting enterprises), recording smaller net and operating margins both in 2013 and 2007. However, they had a smaller share of enterprises with negative EBITDA and net profit for the period.

Chart 13 • Operating expenses | Structure (2013)

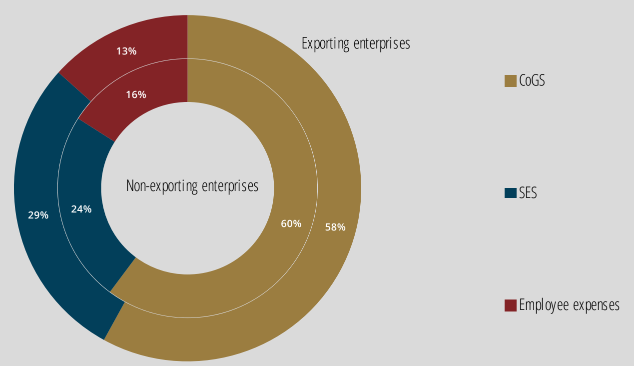


Chart 14 • EBITDA | Weight of enterprises with a positive annual growth rate (2007 to 2013)

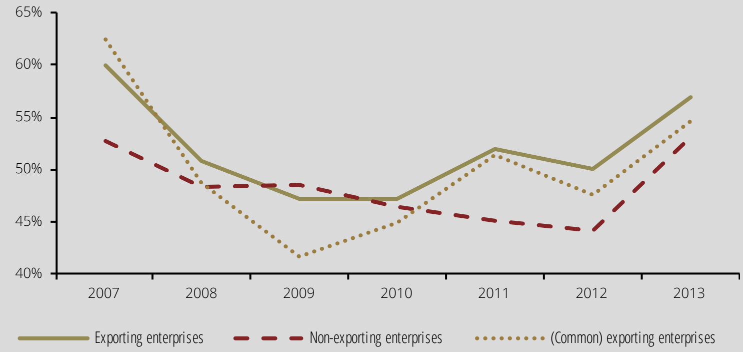


Chart 15 • Enterprises with losses | Weight in the total (2007 and 2013)

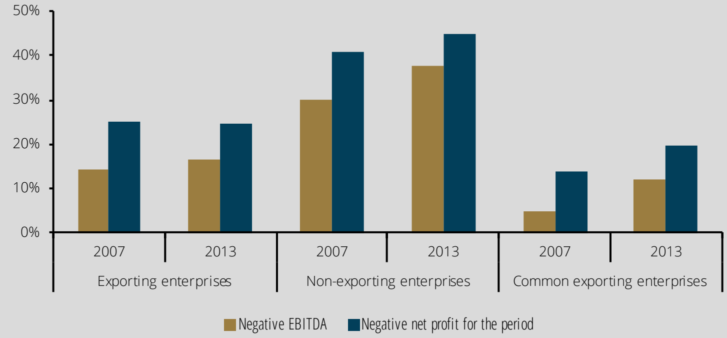
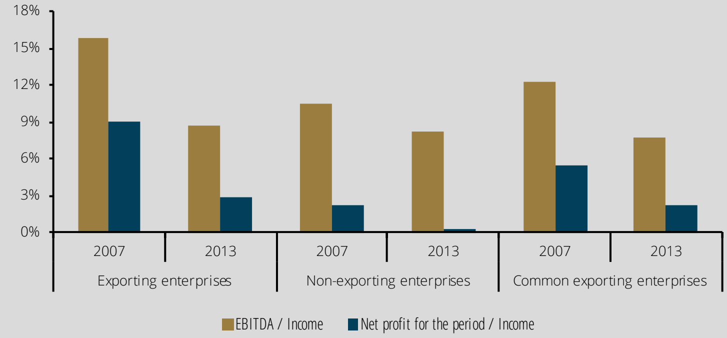


Chart 16 • Profit | Weight in income (2007 and 2013)



3.3. Financial situation

3.3.1. Financial structure

Throughout the 2007-13 period, exporting enterprises had an average capital ratio above that of non-exporting enterprises, which are more highly leveraged in relative terms.

In effect, the average capital ratio of exporting enterprises reached 36% in 2013, a decrease of 4 p.p. compared with 2007. Although the capital ratio for the set of non-exporting enterprises stood on average below this figure (28%), it remained virtually unchanged from 2007.

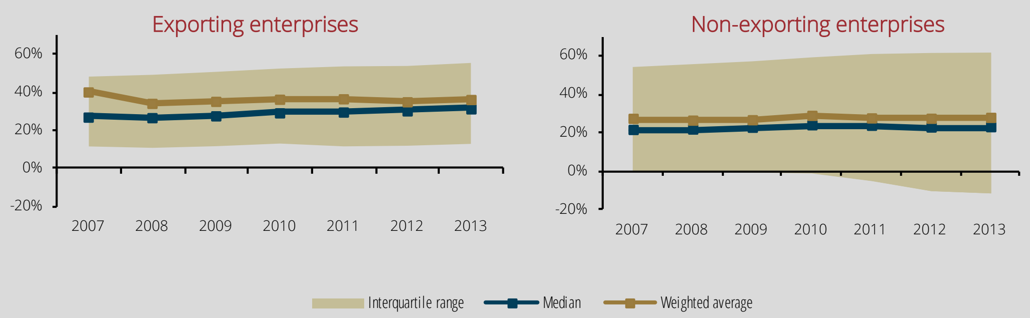
An analysis of the distribution of individual data for enterprises belonging to each segment confirms a higher level of equity in the export segment (Chart 17). In 2013 half of the exporting enterprises had capital ratios equal to or exceeding 32% (median), while for the set of non-exporting enterprises the median declined to 23%. In turn, the set of non-exporting enterprises includes more heterogeneous situations in terms of the capital ratio, given the wider dispersion of results throughout the period under analysis.

Although overall the capitalisation of the export sector is positive, around 13% of its enterprises had negative equity, i.e. all assets were funded by third-party equity (Table 3). This share was considerably smaller for common exporting enterprises in the 2007-13 period, with only 6% having a negative capital ratio. As for the non-export segment, 30% of enterprises were in this situation.

Table 3 • Capital ratio | Weight of enterprises with negative values (2012 and 2013)

	Exporting enterprises	Non-exporting enterprises	Common exporting enterprises
2012	13.2%	30.0%	5.6%
2013	12.5%	30.2%	5.9%

Chart 17 • Capital ratio | Quartile distribution and weighted average (2007 to 2013)



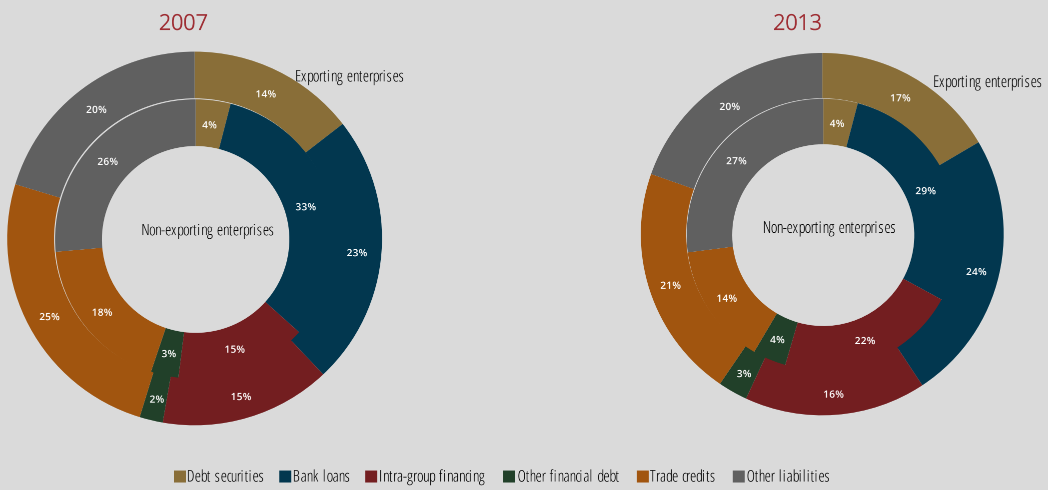
Regardless of the enterprise's orientation toward exports, third-party equity plays a very important role in funding the activities of enterprises in Portugal. It is therefore important to analyse its characteristics in detail. Chart 18 presents the sources of external financing in 2007 and 2013 for each of the sets of enterprises under review.

Interest-bearing debt (or financial debt)[10] is the main source of external financing both for exporting enterprises and non-exporting enterprises (60% and 59% respectively in 2013). However, both sets of enterprises stand apart in terms of the components of financial debt: debt securities issues are more important for exporting enterprises (17%), compared with non-exporting enterprises (4%). Bank loans and intra-group financing have a larger weight in the non-export sector.

The share of financial debt increased in 2013 compared with 2007 (5 p.p. for exporting enterprises and 3 p.p. for non-exporting enterprises). This was mainly offset by a decrease in the weight of trade credits (4 p.p. for both sets of enterprises).

Taking into account the fact that bank loans are one of the main sources of funding of exporting enterprises, *Box 1 | Bank loans* gives additional information on this source of funding.

Chart 18 • Liabilities structure | 2007 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, debt to shareholders/partners and other current liabilities and accounts payable.

Box 1 | Bank loans

Bank loans are one of the main sources of funding for exporting enterprises in Portugal, accounting for close to 24% of their liabilities and 41% of financial debt in 2013. Based on information from Banco de Portugal's Central Credit Register,[11] loans granted by resident credit institutions (CIs)[12] were analysed in greater detail. [13]

At the end of 2014,[14] exporting enterprises held 19.4% of total loans granted by resident CIs to enterprises in Portugal, although they accounted for only around 6.5% of total enterprises with loans. At the end of 2009, the start of this series, the share of loans associated with the export sector stood at 14.5%, while the share of this set of enterprises in total enterprises with loans stood at 5.3%.

In 2014 loans granted by resident CIs to the export sector increased by around 0.9% from 2013, compared with a decrease of 4.9% for total enterprises. In 2013 the annual changes stood at 1.5% and -5.5% respectively. Chart 19 shows developments in the annual rate of change of loans granted to total enterprises and to the export segment.

In order to assess the degree of difficulty faced by enterprises in meeting their commitments to resident CIs, the non-performing loans ratios[15] and the share of enterprises with credit overdue are analysed, indicators through which the better relative performance of exporting enterprises can be assessed. In effect, at the end of 2014, the non-performing loans ratio of exporting enterprises stood at 3.3% (Chart 20), i.e. +1.1 p.p. compared with 2013 and exceeding the figure for 2012 (2.4%). As regards total enterprises, the non-performing loans ratio went from 13.4% at the end of 2013 to 15.0% at the end of 2014, following the growth trend observed since 2009, which has been more marked than in the export segment.

At the end of 2014, the share of non-performing enterprises in the export sector was 8.8% (7.3% at the end of 2013), while for total enterprises this indicator went from 30.3% at the end of 2013 to 30.8% at the end of 2014 (Chart 21).

Chart 19 • Loans from resident CIs | Annual rate of change

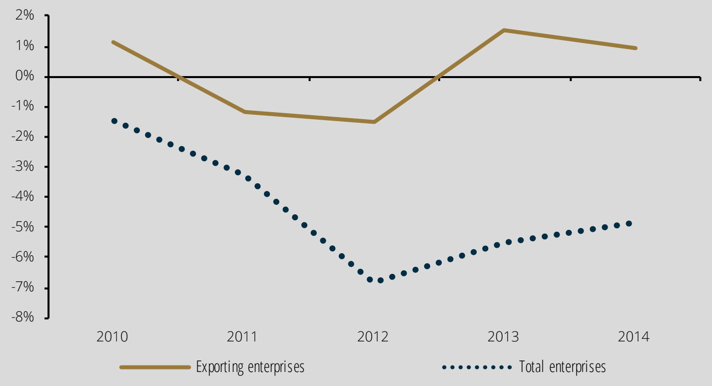


Chart 20 • Non-performing loans ratios

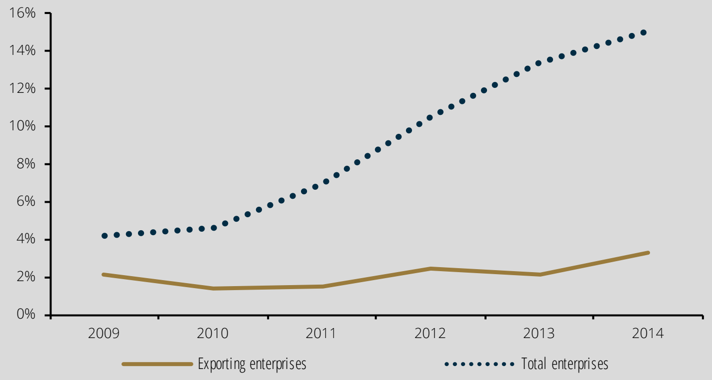
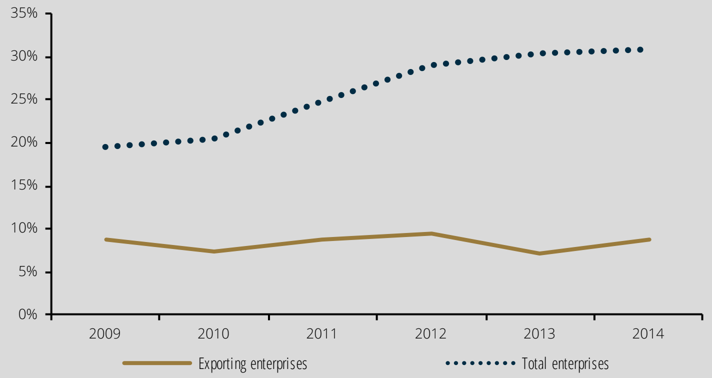


Chart 21 • Non-performing enterprises



3.3.2. Financial costs and solvency

An analysis of Chart 22 shows that exporting enterprises had lower levels of financial pressure, compared with non-exporting enterprises, from 2007 to 2013.

In 2013 the weight of interest in EBITDA in exporting enterprises was approximately 20%, 15 p.p. less than in non-exporting enterprises.

Compared with the previous year, 2013 recorded an improvement in this indicator, which decreased by 1 p.p. in the export segment and by 10 p.p. in the non-export segment. These developments resulted from an increase in EBITDA and a decrease in interest expenses. Nevertheless, overall the level of financial pressure was higher in 2013 than in 2007.

A breakdown of the analysis of this indicator for individual enterprises shows that, in 2013, around 17% of exporting enterprises did not generate enough EBITDA to pay their loan interest, although this share was considerably lower than that of non-exporting enterprises (38%) (Table 4).

For more than three quarters of exporters (77%), interest absorbed less than half of EBITDA. The share of enterprises in this situation was lower in the non-export segment (57%).

Chart 22 • Financial pressure | Weight of interest in EBITDA (2007 to 2013)

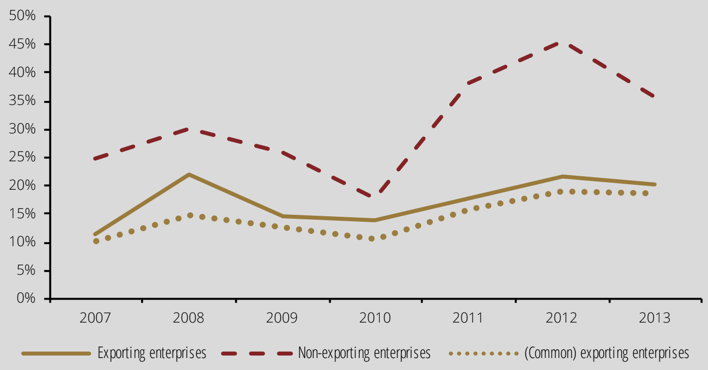


Table 4 • Financial pressure| Distribution of enterprises by performance level in the indicator (2013)

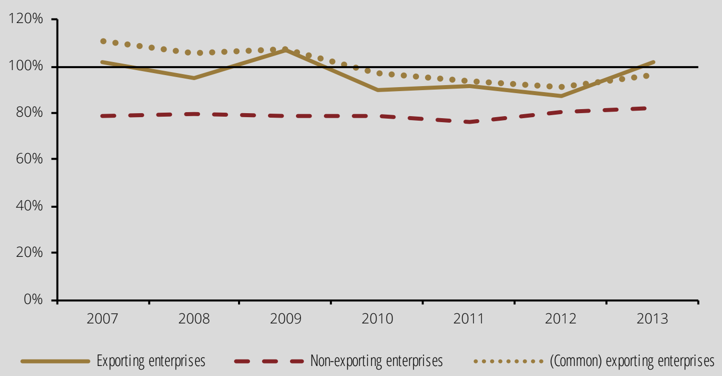
Financial pressure (Interest/EBITDA)	Exporting enterprises	Non-exporting enterprises	Common exporting enterprises
Up to 0.5	77.2%	57.2%	78.3%
From 0.5 to 1	6.1%	5.1%	7.3%
Above 1	16.7%	37.7%	14.4%

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

Exporting enterprises showed liquidity levels above those of non-exporting enterprises throughout the 2007-13 period (Chart 23). In 2013 enterprises oriented towards the external market had a quick ratio slightly above 100%, an indication that short-term assets were higher than short-term liabilities.

As for non-exporting enterprises, in the period under analysis as a whole, the liquidity ratio showed that current assets are not enough to cover their short-term liabilities.

Chart 23 • Quick ratio | (2007 to 2013)



3.3.3. Trade credit financing

Trade credits are an important source of funding for enterprises. However, the use of this type of funding decreased from 2007 to 2013, as its share of the liabilities of exporting and non-exporting enterprises decreased (by around 4 p.p. for both sets of enterprises) (Chart 18).

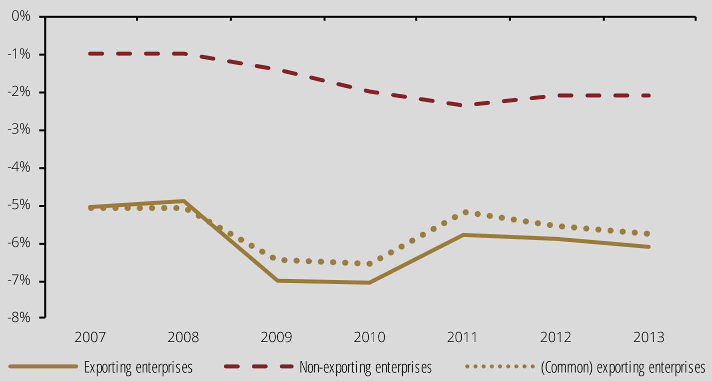
Nevertheless, it may be concluded that neither set of enterprises under review receives net trade credit financing, given that, on average, accounts receivable are higher than accounts payable (Chart 24).

In 2013 the negative differentials between accounts payable and accounts receivable as a percentage of turnover stood at 6% for exporting enterprises and 2% for non-exporting enterprises.

In effect, from 2007 to 2013 exporting enterprises had a more unfavourable situation in this respect, compared with the set of non-exporting enterprises. This is probably due to the fact that the external market is very competitive. Consequently, customers have more market power and are therefore able to achieve relatively longer days payable outstanding.

In effect, for the set of exporting enterprises, days sales outstanding were always higher than days payable outstanding, while the opposite was true for the set of non-exporting enterprises.

Chart 24 • Net trade credit financing | as a percentage of turnover (2007 to 2013)



Notes

1. For the sake of simplicity, this study refers to 'enterprise' and 'non-financial corporation (NFC)' interchangeably when referring to NFCs as a whole. The NFC sector represents one of the economy's five institutional sectors. The institutional sectorisation of economic agents is carried out in accordance with the 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).

2. The Central Balance Sheet Database of Banco de Portugal is a database with economic and financial information on NFCs in Portugal. Information 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 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*, as well as the Central Balance Sheet Study |19 – *Sector Tables and Enterprise and Sector Tables - Methodological Notes | Long Time Series 1995-2013* of November 2014.

3. A definition of size classes used in this study is detailed in the Annex.

4. Geographical location refers to the district where the enterprise's head office is located.

5. A definition of enterprise maturity used in this study is detailed in the Annex.

6. For more information on economic developments in Portugal, please refer to the *Economic Bulletin*, published on a quarterly basis and available at www.bportugal.pt.

7. The 'operating expenses' aggregate is calculated from the sum of the cost of goods sold and materials consumed (CoGS), supplies and external services (SES) and employee expenses.

8. EBITDA means earnings before interest, taxes, depreciation and amortisation. A definition of EBITDA is detailed in the Annex.

9. For the sake of simplicity, this study refers to 'total net income' as 'income', obtained from the sum of turnover, variation in production, capitalised production, operating subsidies, other income and gains and interest and other similar income.

10. Financial debt refers to the set of interest-bearing debt. A more detailed definition is presented in the Annex.

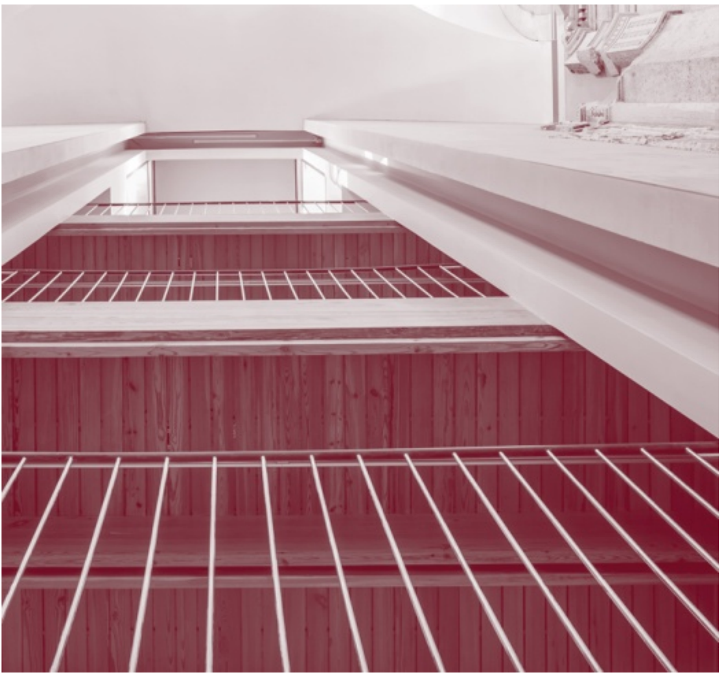
11. The Central Credit Register is a database managed by Banco de Portugal, which gathers information provided by participating entities (resident institutions) regarding credit granted. For more information, please refer to Banco de Portugal Booklet No 5, *Central de Responsabilidades de Crédito* (Portuguese version only).

12. These include banks, savings banks and mutual agricultural credit banks (generically called 'banks' in this study), as well as factoring companies, credit-purchase financing companies and financial leasing companies. Over 95% of credit granted by resident credit institutions to NFCs in 2014 came from banks.

13. For the purposes of this Box, the NFC sector includes holding companies.

14. The set of exporting enterprises in 2014 is estimated from the population calculated for 2013 on the basis of IES.

15. The non-performing loans ratio is based on information on credit granted by resident CIs in Banco de Portugal's Central Credit Register by calculating the ratio of the amount of credit overdue to total credit obtained. Credit is deemed to be overdue when the respective repayments are not paid on the due payment dates. Credit customers may be in a non-performing situation as regards principal and/or interest and other expenditure. 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 Standards System, adjusting the data reported under the old standard POC – *Plano Oficial de Contabilidade* (Official Chart of Accounts) where possible, for the 2007-09 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.

Financial debt: Financial debt refers to the set of interest-bearing debt through debt securities issues, loans granted by credit institutions and financial companies, intra-group financing and other loans.

Financial pressure: Ratio of interest expenses to EBITDA.

Maturity: Enterprise maturity refers 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.

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.

Quick ratio: Ratio of short-term assets (current assets less inventories and consumable biological assets) to short-term liabilities (the set of current liabilities).

Return on equity: Ratio of net profit 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 €2 million. For the purpose of this study, small and medium-sized enterprises (SMEs) exclude micro-enterprises, 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 (*Central de Responsabilidades de Crédito*)
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	*Informação Empresarial Simplificada* (Simplified Corporate Information)
INE	Instituto Nacional de Estatística (Statistics Portugal)
NFCs	non-financial corporations
POC	*Plano Oficial de Contabilidade* (Official Chart of Accounts)
p.p.	percentage points
SES	supplies and external services
SMEs	small and medium-sized enterprises (excluding microenterprises)
SNC	*Sistema de Normalização Contabilística* (Accounting Standards System)

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Regulation (EU) No 549/2013 of the European Parliament and of the Council of 21 May 2013 on the European system of national and regional accounts in the European Union.

Central Balance Sheet Studies

1 | Enterprise and sector tables, November 2010

2 | Structure and dynamics of non-financial corporations in Portugal, December 2010

3 | Sectoral analysis of non-financial corporations in Portugal, September 2011

4 | Sectoral analysis of manufacture of food products, November 2011

5 | Sectoral analysis of accommodation and food service activities, November 2011

6 | New enterprise and sector tables: adjustment to the Accounting Standards System, December 2011

7 | Sectoral analysis of non-financial corporations in Portugal 2010/2011, April 2012

8 | Sectoral analysis of non-financial corporations in Portugal 2011/2012, November 2012

9 | Sectoral analysis of the manufacture of textiles and wearing apparel, November 2012

10 | Sectoral analysis of the manufacture of footwear, November 2012

11 | Analysis of the agricultural sector, December 2012

12 | Structure and dynamics of non-financial corporations in Portugal, 2006-2012, November 2013

13 | Sectoral analysis of non-financial corporations in Portugal, 2012/2013, November 2013

14 | Analysis of the automobile industry, December 2013

15 | Analysis of the construction sector, January 2014

16 | Analysis of the information and communication activities sector, April 2014

17 | Analysis of the tourism sector, October 2014

18 | Sectoral analysis of non-financial corporations in Portugal 2009-2014, November 2014

19 | Sector tables and enterprise and sector tables – Methodological Notes (Long Time Series 1995-2013), November 2014

20 | Analysis of the mechanical engineering sector, March 2015

21 | Analysis of maritime sector companies, May 2015

22 | Analysis of enterprises in the export sector in Portugal, June 2015