



## Sectoral analysis of the manufacture of textiles and wearing apparel 2010-15

20 June 2016

Banco de Portugal updates today [Central Balance Sheet Study | 9 – Sectoral Analysis of the Manufacture of Textiles and Wearing Apparel](#) with information on the economic and financial situation of enterprises in the manufacture of textiles and wearing apparel<sup>1</sup> from 2010 to 2015.

This study was published for the first time in 2012, with information for the 2007-12 period.

Results, derived from data from Banco de Portugal's Central Balance Sheet Database, are broken down by size class – microenterprises, small and medium-sized enterprises (SMEs) and large enterprises – and economic activity segment ('textiles' and 'wearing apparel'). In addition, a comparative analysis is carried out with the manufacturing sector (Section C of CAE-Rev.3) and total enterprises.

### Structure and dynamics

#### The number of enterprises increased in 2014. SMEs were predominant in turnover and number of employees

The manufacture of textiles and wearing apparel comprised approximately 2 per cent of enterprises in Portugal (6,500 enterprises) in 2014, accounting for around 5 per cent of the number of employees and 2 per cent of turnover.

In the same year, the sector accounted for 16 per cent

of the number of enterprises, 8 per cent of turnover and 20 per cent of the number of employees in manufacturing. This sector's importance thus remained virtually unchanged, compared with 2010.

The number of active enterprises in the manufacture of textiles and wearing apparel grew by 1.9 per cent in 2014, 0.4 percentage points (p.p.) more than in total enterprises. For the first time in the 2010-14 period, there were more created enterprises than those ceasing activity (Chart 1), in contrast with the reduction in the number of active enterprises in the sector in 2010 (6 per cent).

In 2014 for each enterprise in the sector ceasing activity, 1.35 new enterprises were created. In that year, the birth/death ratio reached a maximum value for the period under review, as a result of the reduction of 3 p.p. in the death rate (which was more considerable than the decrease in the birth rate).

'Wearing Apparel' was more predominant, accounting for 70 per cent of enterprises and 67 per cent of employees in the sector in 2014. Turnover was evenly distributed between both segments (Chart 2).

Around 60 per cent of enterprises in the sector were microenterprises. SMEs accounted for 39 per cent of the number of enterprises, 73 per cent of turnover and 76 per cent of the number of employees in the

Chart 1 • Demographic indicators

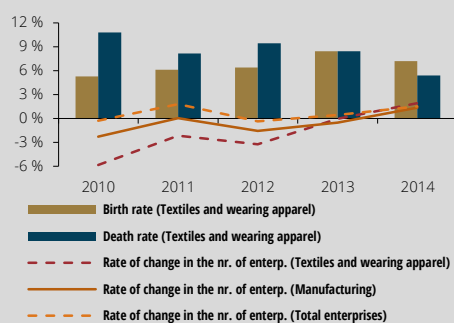
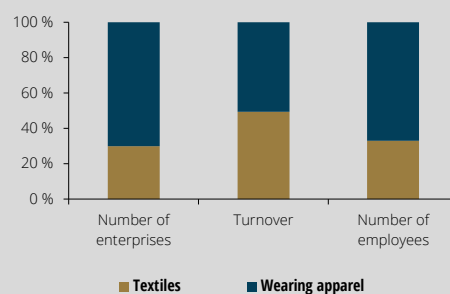


Chart 2 • Structure | By economic activity segment (2014)



sector. SMEs were more relevant in the manufacture of textiles and wearing apparel than in manufacturing and total enterprises (Chart 3).

The districts of Braga and Porto accounted for 57 per cent and 25 per cent of turnover in the sector respectively.

### Activity and profitability

#### Turnover increased in 2014, boosted by the external market

Turnover in the manufacture of textiles and wearing apparel increased by 7 per cent in 2014: 9 per cent in 'wearing apparel' and 5 per cent in 'textiles' (growth of 1 per cent in manufacturing and 2 per cent in total enterprises). While turnover of large enterprises and SMEs in the sector increased by 12 per cent and 7 per cent respectively, microenterprises recorded a marginally positive change.

The external market has systematically boosted the sector: in 2014 it made a contribution of 4 p.p. to growth in turnover in the manufacture of textiles and wearing apparel, accounting for 59 per cent of this aggregate (Chart 4). In that year, the exporting sector<sup>2</sup> comprised 19 per cent of the number of enterprises, 56 per cent of the number of employees and 77 per cent of turnover of enterprises in the manufacture of textiles and wearing apparel, above total enterprises (6 per cent, 25 per cent and 37 per cent respectively).

EBITDA grew by 37 per cent in 2014. Around 55 per

cent of enterprises recorded positive changes in this indicator. However, the share of enterprises with an increase in EBITDA was smaller than in 2013 (-6 p.p.), although it rose by 4 p.p. from 2010 (7 p.p. in total enterprises).

In 2014, 68 per cent of large enterprises recorded positive changes in EBITDA, an increase of 16 p.p. from 2010 (Chart 5). Nevertheless, the share of enterprises with negative EBITDA in the manufacture of textiles and wearing apparel stood at 26 per cent in 2014, a decrease of 5 p.p. from 2010.

#### Return on equity also grew in 2014

Return on equity in the sector grew by 5 p.p. in 2014, to 7 per cent, standing above manufacturing (4 per cent) and total enterprises (3 per cent) for the first time in the 2010-14 period (Chart 6). 'Wearing apparel' had the highest profitability in the sector, of 8 per cent, similarly to SMEs.

The sector's operating margin (EBITDA / income) reached 7 per cent in 2014. This figure was similar to that of manufacturing, but 1 p.p. below that of total enterprises. As in manufacturing, the sector's net margin (net profit for the period / income), of 2 per cent, was higher than in total enterprises (1 per cent) (Chart 7). 'Textiles' had the best performance of the sector, with an operating margin of 9 per cent in 2014 (5 per cent in 'wearing apparel') and a 3 per cent net margin (2 per cent in 'wearing apparel').

Chart 3 • Structure | By size class (2014)

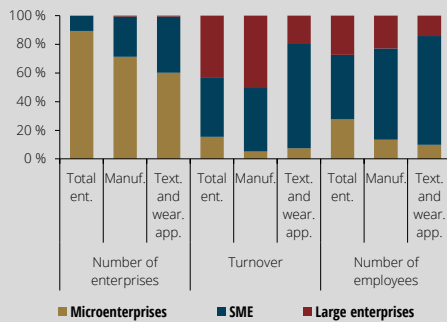


Chart 4 • Turnover | Contributions from the external and internal markets (p.p.) to the annual growth rate (per cent)



Chart 5 • Share of enterprises with EBITDA growth

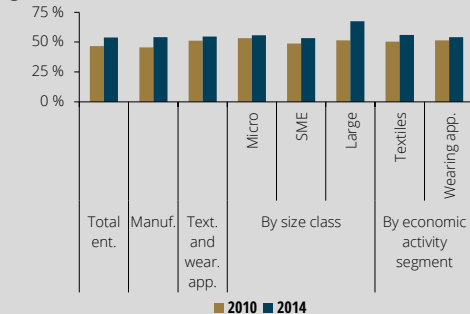


Chart 6 • Return on equity



## Financial situation

### Liabilities increased, due to bank loans and debt securities

In 2014 the capital ratio of the manufacture of textiles and wearing apparel stood at 34 per cent (40 per cent in manufacturing and 30 per cent in total enterprises). Similarly to manufacturing, this ratio grew by 5 p.p. from 2010 to 2014 (Chart 8).

However, the average capital ratio was not representative of most enterprises in the sector in 2014, as it stood significantly above the median (24 per cent). In the case of microenterprises, the average capital ratio (1 per cent) was very far from the median (21 per cent), owing to the considerable concentration of negative equity in a small share of microenterprises in the sector.

By economic activity segment, in 2014, 'textiles' recorded average values (38 per cent) and median values (28 per cent) of capital ratio above those of 'wearing apparel' (27 per cent and 22 per cent respectively).

In contrast with manufacturing and total enterprises, and following consecutive declines since 2011, the sector's liabilities increased by 3 per cent, compared with 2013, due to contributions from bank loans (2 p.p.) and debt securities (1 p.p.) (Chart 9).

Interest-bearing debt accounted for 46 per cent of liabilities in the manufacture of textiles and wearing

apparel (49 per cent in 2010), a share below that of manufacturing (50 per cent) and total enterprises (57 per cent). Bank loans totalled 32 per cent of the sector's liabilities. 'Textiles' had a higher share of liabilities associated with interest-bearing debt (53 per cent).

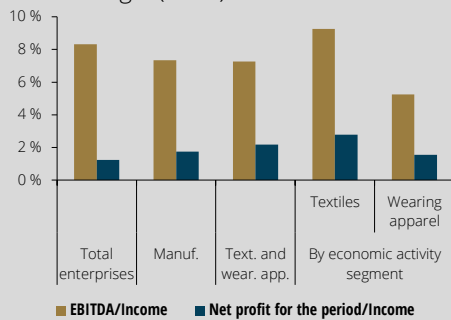
### A decrease in interest expenses and an increase in EBITDA resulted in a financial pressure decline

Interest expenses of the manufacture of textiles and wearing apparel declined on average by 3 per cent in 2014. Half of the enterprises in the sector recorded decreases of more than 7 per cent. Manufacturing and total enterprises recorded declines of 8 per cent and 7 per cent respectively (Chart 10).

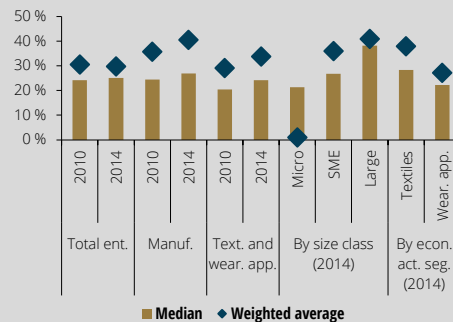
'Textiles' recorded a decrease of 6 per cent in interest expenses, in contrast with 'wearing apparel', which increased by 4 per cent. The decrease in interest expenses was broadly based across all size classes (ranging from 3 to 5 per cent).

The decline in interest expenses, associated with an increase in EBITDA, resulted in a fall of 8 p.p. in financial pressure, compared with 2013. In 2014 interest expenses used up 18 per cent of the sector's EBITDA, a share that is the same as in manufacturing and lower than in total enterprises (27 per cent) (Chart 11). The decline in financial pressure was broadly based across all size classes and economic activity segments in the sector.

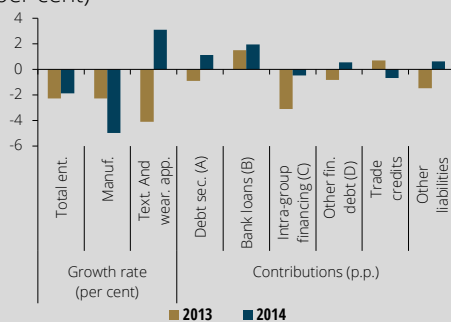
**Chart 7 • Profitability | Operating margin and net margin (2014)**



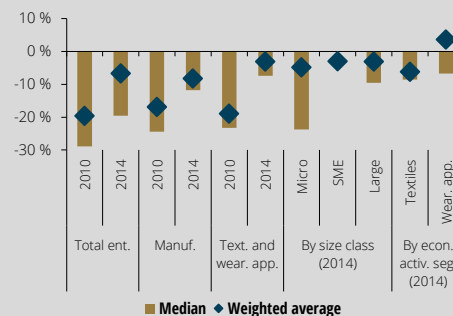
**Chart 8 • Capital ratio | Weighted average and distribution median**



**Chart 9 • Liabilities | Contributions from components (p.p.) to the annual growth rate (per cent)**



**Chart 10 • Interest expenses | Weighted average and median of the annual growth rate**



Interest-bearing debt = A + B + C + D

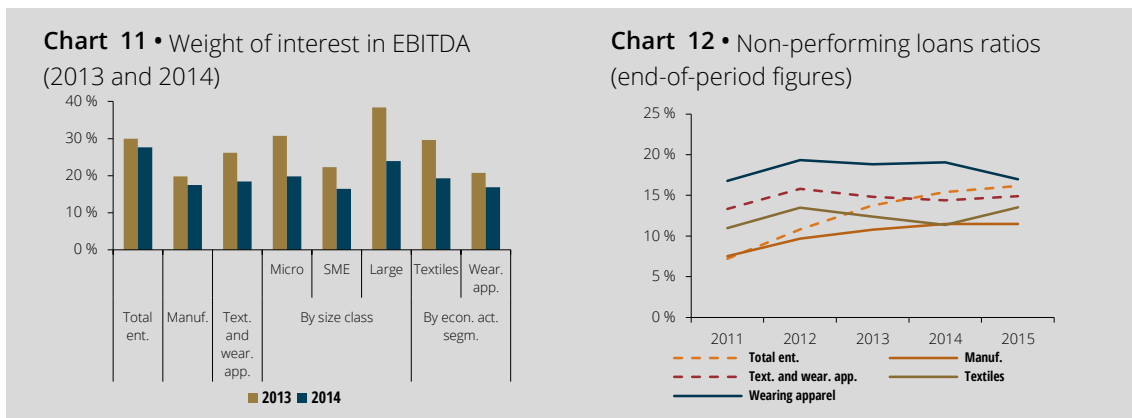
According to information from Banco de Portugal's Central Credit Register, loans to the manufacture of textiles and wearing apparel by the resident financial sector decreased by 2.4 per cent in 2015.

At the end of 2015, 14.9 per cent of loans granted to the sector were non-performing, a figure higher than in manufacturing (11.5 per cent), but lower than in total enterprises (16.2 per cent) (Chart 12).

Over the period under review, the non-performing loans ratio recorded more moderate developments in this sector than in total enterprises. In 2015 'wearing apparel' had the highest non-performing loans ratio (17.0 per cent, compared with 13.5 per cent in

'textiles'). By size class, the non-performing loans ratio was higher in microenterprises (totalling 37.0 per cent).

Similarly to manufacturing, in 2014 trade debt had a higher weight in the manufacture of textiles and wearing apparel than in total enterprises (27 per cent of liabilities, compared with 16 per cent). This type of financing was more relevant for the 'wearing apparel' segment (31 per cent of liabilities, compared with 24 per cent in 'textiles'). Nevertheless, similarly to most economic activity sectors, this sector was unable to obtain net trade credit financing, due to the negative differential between accounts payable and accounts receivable.



<sup>1</sup> For the purposes of this analysis, the manufacture of textiles and wearing apparel comprises Divisions 13 (manufacture of textiles) and 14 (manufacture of wearing apparel) of CAE-Rev.3, economic activities which are included in manufacturing.

<sup>2</sup> A definition of the exporting sector is detailed in *Central Balance Sheet Study | 22 – Analysis of enterprises in the export sector in Portugal*, June 2015.

For more information, see:

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

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

[Central Balance Sheet Study No 23 on non-financial corporations](#)

[Central Balance Sheet Study No 9 on enterprises in the manufacture of textiles and wearing apparel](#)

Banco de Portugal | [info@bportugal.pt](mailto:info@bportugal.pt)

## Annex – Main indicators for the manufacture of textiles and wearing apparel

Chart	Series	2010	2011	2012	2013	2014	2015
1 Demographic indicators	Manufacture of textiles and wearing apparel						
	Birth rate	5.3	6.1	6.4	8.4	7.2	
	Death rate	10.8	8.2	9.4	8.5	5.4	
	Rate of change in the number of enterprises	-5.9	-2.2	-3.2	0.0	1.9	
	Rate of change in the number of enterprises / Total enterprises	-0.3	1.8	-0.4	0.4	1.5	
	Rate of change in the number of enterprises / Manufacturing	-2.3	0.1	-1.5	-0.5	1.3	
2 Structure   By economic activity segment	Textiles						
	Number of enterprises	31.3	31.1	30.9	30.5	29.9	
	Turnover	51.0	50.3	50.2	50.4	49.4	
	Number of employees	34.0	33.6	33.3	33.5	33.1	
	Wearing apparel						
	Number of enterprises	68.7	68.9	69.1	69.5	70.1	
	Turnover	49.0	49.7	49.8	49.6	50.6	
	Number of employees	66.0	66.4	66.7	66.5	66.9	
3 Structure   By size class	Share of microenterprises in the aggregate's number of enterprises						
	Total enterprises	87.4	88.2	89.1	89.6	89.5	
	Manufacturing	68.6	69.6	71.0	71.7	71.3	
	Manufacture of textiles and wearing apparel	58.5	59.4	60.9	61.4	60.3	
	Share of microenterprises in the aggregate's turnover						
	Total enterprises	15.8	15.2	15.2	15.3	15.4	
	Manufacturing	5.9	5.1	5.1	5.2	5.2	
	Manufacture of textiles and wearing apparel	8.2	7.5	7.9	7.8	7.5	
	Share of microenterprises in the aggregate's number of employees						
	Total enterprises	27.2	27.7	28.2	28.0	27.7	
	Manufacturing	13.9	13.8	14.0	13.8	13.4	
	Manufacture of textiles and wearing apparel	9.8	10.0	10.1	10.2	10.0	
	Share of small and medium-sized enterprises in the aggregate's number of enterprises						
	Total enterprises	12.3	11.6	10.6	10.2	10.3	
	Manufacturing	30.7	29.6	28.3	27.5	28.0	
	Manufacture of textiles and wearing apparel	41.0	40.0	38.5	38.0	39.1	
	Share of small and medium-sized enterprises in the aggregate's turnover						
	Total enterprises	43.3	42.2	41.5	41.5	41.7	
	Manufacturing	45.9	44.0	42.7	42.6	44.2	
	Manufacture of textiles and wearing apparel	73.4	73.9	72.8	73.1	72.7	
	Share of small and medium-sized enterprises in the aggregate's number of employees						
	Total enterprises	46.7	46.1	45.3	44.8	44.9	
	Manufacturing	65.1	64.1	63.4	63.2	63.6	
	Manufacture of textiles and wearing apparel	77.2	76.5	75.8	75.6	75.9	
	Share of large enterprises in the aggregate's number of enterprises						
	Total enterprises	0.3	0.3	0.2	0.2	0.3	
	Manufacturing	0.7	0.7	0.7	0.7	0.7	
	Manufacture of textiles and wearing apparel	0.6	0.6	0.6	0.6	0.6	
	Share of large enterprises in the aggregate's turnover						
	Total enterprises	40.9	42.6	43.3	43.2	42.8	
	Manufacturing	48.2	50.9	52.2	52.2	50.5	
	Manufacture of textiles and wearing apparel	18.4	18.6	19.3	19.0	19.8	
	Share of large enterprises in the aggregate's number of employees						
Total enterprises	26.0	26.2	26.5	27.1	27.4		
Manufacturing	21.0	22.1	22.6	23.0	23.0		
Manufacture of textiles and wearing apparel	13.0	13.5	14.1	14.2	14.1		
4 Turnover   Contributions from the external and internal markets (p.p.) to the annual growth rate (per cent)	Growth rate of turnover / Manufacture of textiles and wearing apparel	6.8	3.1	-1.2	6.0	7.2	
	Contribution from the external market	3.5	5.0	1.4	2.6	4.3	
	Contribution from the internal market	3.2	-1.9	-2.5	3.3	2.9	
	Growth rate of turnover / Total enterprises	4.5	-1.8	-6.2	-0.5	2.3	
	Growth rate of turnover / Manufacturing	8.1	7.0	-1.6	0.0	1.1	
5 Share of enterprises with EBITDA growth	Total enterprises	46.5	45.4	44.5	53.6	53.9	
	Manufacturing	45.6	44.8	46.1	56.0	54.0	
	Manufacture of textiles and wearing apparel	51.1	46.3	52.1	60.3	54.7	
	Microenterprises	53.2	46.4	53.2	59.7	55.6	
	Small and medium-sized enterprises	48.6	46.0	50.7	61.2	53.4	
	Large enterprises	51.3	55.0	56.4	57.9	67.5	
	Textiles	50.4	44.4	52.9	62.4	56.0	
	Wearing apparel	51.5	47.2	51.8	59.3	54.1	
6 Return on equity	Total enterprises	9.7	1.2	0.1	2.8	2.8	
	Manufacturing	6.9	4.4	2.2	3.9	4.3	
	Manufacture of textiles and wearing apparel	-2.8	-4.3	-3.5	2.0	6.7	
	Textiles	-0.2	-4.2	-2.1	0.9	6.2	
	Wearing apparel	-9.7	-4.4	-7.2	4.6	7.9	

Chart	Series	2010	2011	2012	2013	2014	2015
7 Profitability   Operating margin and net margin	EBITDA / Income						
	Total enterprises	11.0	7.9	7.6	8.5	8.3	
	Manufacturing	8.8	7.6	6.6	7.1	7.3	
	Manufacture of textiles and wearing apparel	4.4	4.0	4.2	5.7	7.3	
	Textiles	6.6	4.9	5.7	6.8	9.3	
	Wearing apparel	2.0	3.2	2.7	4.5	5.3	
	Net profit for the period / Income						
	Total enterprises	4.3	0.5	0.0	1.3	1.2	
	Manufacturing	2.7	1.6	0.8	1.5	1.8	
	Manufacture of textiles and wearing apparel	-0.9	-1.4	-1.1	0.6	2.2	
	Textiles	-0.1	-1.9	-1.0	0.4	2.8	
	Wearing apparel	-1.9	-0.8	-1.2	0.9	1.6	
	8 Capital ratio   Weighted average and distribution median	Capital ratio (weighted average)					
Total enterprises		30.5	29.8	29.4	29.9	29.7	
Manufacturing		35.7	35.9	36.5	37.3	40.5	
Manufacture of textiles and wearing apparel		29.1	30.2	30.6	33.1	33.8	
Microenterprises		-2.6	-4.5	-5.4	-2.8	1.0	
Small and medium-sized enterprises		31.0	32.0	32.4	34.7	35.9	
Large enterprises		38.6	41.2	41.4	43.9	40.9	
Textiles		33.3	35.1	35.6	37.7	37.9	
Wearing apparel		22.1	21.9	22.0	25.4	27.2	
Capital ratio (median)							
Total enterprises		24.2	24.1	23.3	23.6	25.0	
Manufacturing		24.4	24.8	24.8	25.5	26.8	
Manufacture of textiles and wearing apparel		20.4	20.1	20.8	22.5	24.2	
Microenterprises		17.2	16.4	17.2	19.3	21.3	
Small and medium-sized enterprises		22.9	22.6	24.1	25.8	26.8	
Large enterprises		40.5	39.2	40.3	38.0	38.2	
Textiles		23.4	23.7	24.0	25.7	28.3	
Wearing apparel	18.5	18.0	19.0	21.1	22.3		
9 Liabilities   Contributions from components (p.p.) to the annual growth rate (per cent)	Growth rate of liabilities / Total enterprises	8.5	1.2	-2.2	-2.3	-1.9	
	Growth rate of liabilities / Manufacturing	10.7	0.3	-3.6	-2.3	-5.0	
	Growth rate of liabilities / Manufacture of textiles and wearing apparel	9.5	-5.4	-3.9	-4.1	3.1	
	Contribution from debt securities	-0.4	0.7	-0.7	-0.9	1.1	
	Contribution from bank loans	5.7	-5.5	-1.8	1.5	1.9	
	Contribution from intra-group financing	-3.0	2.0	1.3	-3.1	-0.5	
	Contribution from other financial debt	5.7	-1.4	-1.8	-0.8	0.6	
	Contribution from trade credits	2.0	-1.3	1.0	0.7	-0.7	
	Contribution from other liabilities	-0.5	0.2	-1.9	-1.5	0.6	
10 Interest expenses   Weighted average and median of the annual growth rate	Growth rate of interest expenses (weighted average)						
	Total enterprises	-19.6	25.7	4.5	-6.4	-6.7	
	Manufacturing	-16.9	27.4	4.4	-5.2	-8.2	
	Manufacture of textiles and wearing apparel	-18.9	32.2	4.6	-12.9	-3.2	
	Microenterprises	1.0	51.2	-43.7	-38.4	-4.9	
	Small and medium-sized enterprises	-22.0	20.4	4.5	-3.7	-3.1	
	Large enterprises	-17.2	52.8	21.7	-23.2	-3.1	
	Textiles	-17.8	42.9	5.8	-13.8	-6.2	
	Wearing apparel	-20.8	13.5	2.0	-10.9	3.6	
	Growth rate of interest expenses (median)						
	Total enterprises	-28.9	-9.2	-22.3	-31.4	-19.5	
	Manufacturing	-24.4	-1.4	-14.0	-23.2	-11.7	
	Manufacture of textiles and wearing apparel	-23.3	-3.5	-14.9	-20.2	-7.4	
	Microenterprises	-34.9	-27.2	-31.5	-39.5	-23.7	
	Small and medium-sized enterprises	-15.5	11.7	-4.4	-10.6	0.0	
Large enterprises	-23.6	56.7	10.4	-7.9	-9.5		
Textiles	-25.3	-2.5	-11.7	-21.4	-8.6		
Wearing apparel	-21.9	-3.8	-17.9	-19.2	-6.7		
11 Weight of interest in EBITDA	Total enterprises	16.8	30.3	35.3	29.9	27.7	
	Manufacturing	13.3	18.4	22.5	19.8	17.5	
	Manufacture of textiles and wearing apparel	30.0	41.8	43.0	26.1	18.4	
	Microenterprises	328.9	433.6	N.A.	30.7	19.8	
	Small and medium-sized enterprises	27.4	30.4	30.2	22.3	16.4	
	Large enterprises	27.3	65.6	83.1	38.4	23.9	
	Textiles	24.4	47.1	43.5	29.6	19.3	
	Wearing apparel	50.4	33.5	41.9	20.8	16.9	
12 Non-performing loans ratios (end-of-period figures)	Total enterprises	4.8	7.2	10.8	13.8	15.4	16.2
	Manufacturing	5.7	7.5	9.7	10.8	11.5	11.5
	Manufacture of textiles and wearing apparel	9.3	13.3	15.8	14.8	14.4	14.9
	Textiles	6.9	11.0	13.5	12.4	11.4	13.5
	Wearing apparel	13.3	16.8	19.3	18.8	19.1	17.0

## NOTES:

The aggregates 'Microenterprises', 'Small and medium-sized enterprises', 'Large enterprises', 'Textiles' and 'Wearing apparel' refer to components included in *Manufacture of textiles and wearing apparel*, except where indicated. Similarly, contributions shown always refer to contributions to the total of the sector under review. All figures are shown as a percentage, except where the indicator refers to contributions (p.p.). Shaded cells are not represented in the charts. Indicators that have not been calculated are signalled with 'N.A'.