RESULTS OF NON-FINANCIAL CORPORATIONS TO 2015 Q2

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Overview[1]

The data for the sample of firms that respond to the quarterly survey of the Central Balance Sheet Data Office (CBQ) show that during the first half of 2015 the pace of recovery of productive activity for this group of companies stepped up. Thus, the year-on-year growth rate of GVA stood at 3.8% for this period, higher than that of 1.5% recorded a year earlier. These positive developments affected most of the sectors analysed against a backdrop in which domestic demand quickened and exports continued to show high buoyancy.

Personnel costs increased by 1.7% during the first six months of 2015 in year-on-year terms, compared with the decline of 0.1% recorded in the same period of 2014. These costs rose mainly due to the favourable performance of employment which grew by 1.3%, continuing on the positive course that first appeared in the CBQ sample during the closing months of last year. Average compensation rose by 0.4%, maintaining the moderate line shown in previous years. As a result of the changes in GVA and personnel costs, gross operating profit (GOP) climbed 6.1%, practically doubling the previous year's figure of 3.2%. Financial revenue contracted by 5.9%, essentially affected by the decline in interest received (down 22%), which was partially offset by higher dividend receipts, that grew by 1.8%. Financial costs also fell (by 11.5%), impacted by the decline in average financing costs since aggregate corporate debt levels hardly varied in comparison with the average level in the first half of 2014.

Depreciation, impairment and operating provisions fell by 3.7%; this along with the changes in financial costs and revenue led to growth in ordinary net profit (ONP) of 18.3%, higher than the growth in GOP and compared with an increase of 3.9% a year earlier. The positive performance of ONP proved conducive to a 0.4 pp increase in return on equity to 5.1%. By contrast, return on investment held steady at 4.2%, given that the expansionary effect of growth in ordinary profit, excluding financial costs, was offset by the increase in the denominator of this ratio. Furthermore, the average cost of borrowing fell to 3%, so that the difference between the return on investment and this indicator rose 0.5 pp to 1.2%, compared with its value in the same period of 2014.

The external borrowing of the total sample rose slightly in the first half of 2015. Thus, the E1 ratio (calculated as interest-bearing debt/net assets) grew 0.1 pp compared with the figures reached at the end of the previous year. The E2 ratio (debt to the sum of GOP plus financial revenue), however, declined slightly, since the increase in debt was lower than that of ordinary profit. The interest burden ratio also decreased, albeit somewhat more sharply, owing to the decline in financial costs and the growth in operating revenue (the denominator of this indicator).

Lastly, extraordinary costs and revenue had a positive and significant effect on profit during the first half of 2015, as certain large revenues arose, mainly as a result of capital

1 This article is based on the quarterly information provided to the Central Balance Sheet Data Office by 834 reporting corporations up to 16 September. In terms of GVA, the sample accounts for 14.1% of the non-financial corporations sector.

PROFIT AND LOSS ACCOUNT. YEAR-ON-YEAR CHANGES AND PROFIT RATIOS

Growth rates of the same corporations on the same period a year earlier, percentages

TABLE 1

DATABASES	CBI Structure 2013	CBI 2012	CBI 2013	CBQ (a) 2014 Q1-Q4/ 2013 Q1-Q4	CBQ (a) 2014 Q1-Q2/ 2013 Q1-Q2	CBQ (a) 2015 Q1-Q2/ 2014 Q1-Q2
Number of corporations		622,919	546,040	859	892	834
Total national coverage (% of GVA)		45.1	40.2	13.2	14.1	14.1
PROFIT AND LOSS ACCOUNT						
1 VALUE OF OUTPUT (including subsidies)	100.0	-3.0	-2.3	-0.3	-1.8	-0.1
Of which:						
Net amount of turnover and other operating income	*147.1*	*-2.1*	*-2.1*	*1.9*	*-0.6*	*0.4*
2 INPUTS (including taxes)	66.1	-2.0	-2.1	-0.5	-3.3	-1.9
Of which:						
Net purchases	*42.5*	*-1.9*	*-3.7*	*1.4*	*0.8*	*-6.4*
Other operating costs	*23.3*	*-1.8*	*-0.5*	*-1.7*	*-2.3*	*4.9*
S.1 GROSS VALUE ADDED AT FACTOR COST [1 – 2]	33.9	-5.0	-2.8	0.0	1.5	3.8
3 Personnel costs	23.0	-2.9	-2.1	0.9	-0.1	1.7
S.2 GROSS OPERATING PROFIT [S.1 – 3]	10.9	-9.3	-4.3	-1.0	3.2	6.1
4 Financial revenue	4.8	-2.1	7.8	-21.9	-8.3	-5.9
5 Financial costs	3.9	-1.0	-5.1	-6.0	-1.1	-11.5
6 Depreciation, impairment and operating provisions	6.2	6.2	-5.3	-1.7	-2.5	-3.7
S.3 ORDINARY NET PROFIT [S.2 + 4 – 5 – 6]	5.5	-28.1	8.2	-13.4	3.9	18.3
7 Gains (losses) from disposals and impairment (b)	-3.2	—	24.8	92.3	—	121.4
7' As a percentage of GVA (7 / S.1)		-12.2	-9.4	-1.1	3.5	7.4
8 Changes in fair value and other gains (losses)	-0.6	-73.9	49.0	96.7	—	—
8' As a percentage of GVA (8 / S.1)		-4.4	-1.7	-0.1	-0.9	0.8
9 Corporate income tax	0.5	-61.1	78.3	—	28.7	-30.3
S.4 NET PROFIT [S.3 + 7 + 8 – 9]	1.2	—	—	140.5	80.8	47.0
S.4' As a percentage of GVA (S.4 / S.1)		-5.7	3.7	26.4	23.2	34.6
PROFIT RATIOS	Formulas (b)					
R.1 Return on investment (before taxes)	(S.3 + 5.1) / NA	4.0	4.1	5.2	4.2	4.2
R.2 Interest on borrowed funds/interest-bearing borrowing	5.1 / IBB	3.9	3.7	3.3	3.4	3.0
R.3 Ordinary return on equity (before taxes)	S.3 / E	4.1	4.3	6.7	4.7	5.1
R.4 ROI – cost of debt (R.1 – R.2)	R.1 – R.2	0.1	0.4	1.9	0.7	1.2

SOURCE: Banco de España.

NOTE: In calculating rates, internal accounting movements have been edited out of items 4, 5, 7 and 8.

a All the data in this column have been calculated as the weighted average of the quarterly data.

b NA = Net assets (net of non-interest-bearing borrowing); E = Equity; IBB = Interest-bearing borrowing; NA = E + IBB. The financial costs in the numerators of ratios R.1 and R.2 only include the portion of financial costs that is interest on borrowed funds (5.1) and not other financial costs (5.2).

gains on disposals of financial assets. Consequently, net profit grew 47% and, expressed as a percentage of GVA, climbed to 34.6%, up 11 pp on the figure recorded in the same period of the previous year.

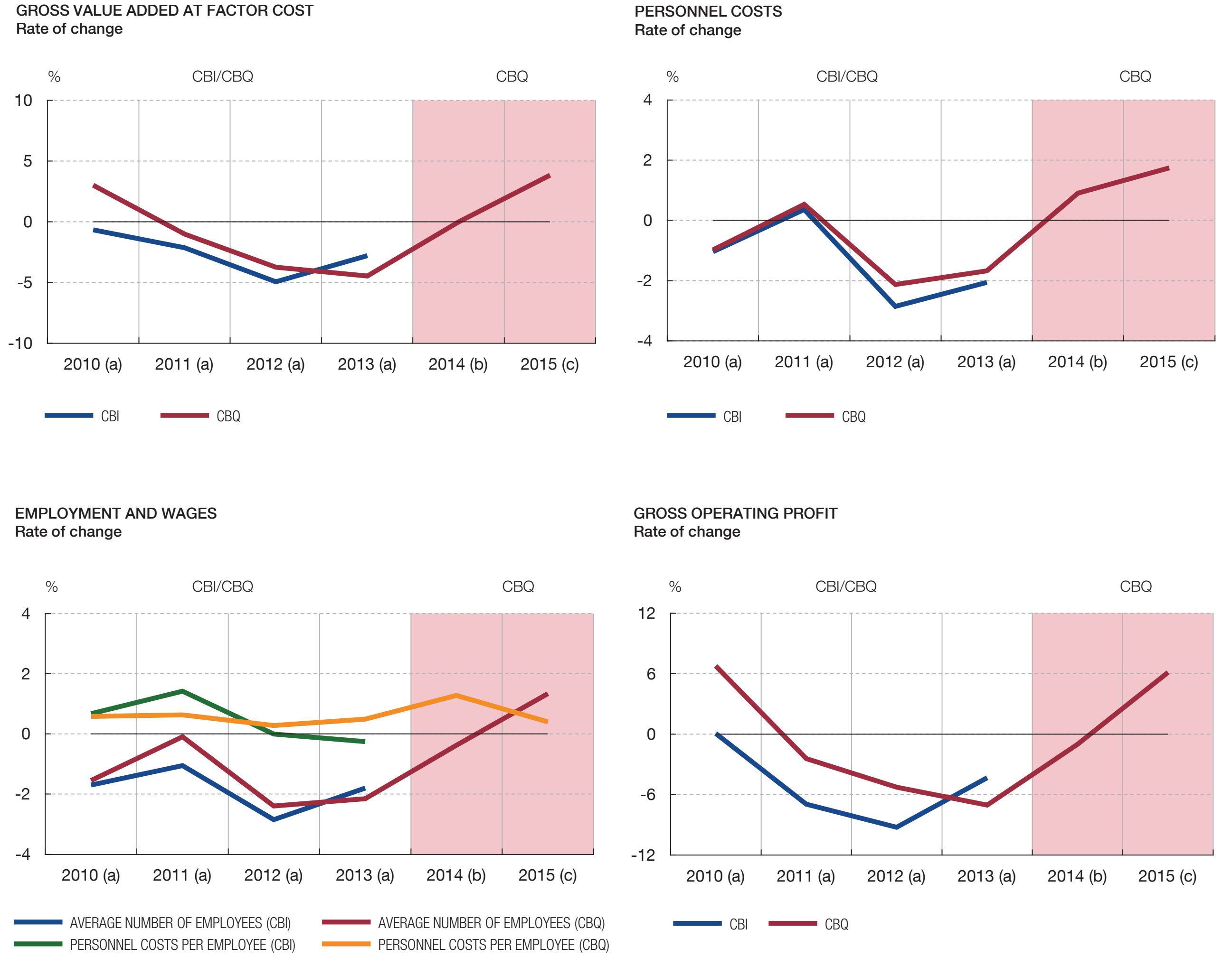
In conclusion, during the first half of 2015 the activity and profits of the companies in the CBQ sample grew considerably which contributed to the improvement in their economic and financial situation. These developments were largely underpinned by the favourable macro-financial setting in which they operated.

Activity

The information for the first six months of 2015 shows a quickening of the GVA of the total CBQ sample, specifically, it increased from 3.8%, compared with 1.5% in the previous

NON-FINANCIAL CORPORATIONS REPORTING TO THE CENTRAL BALANCE SHEET DATA OFFICE

CHART 1



Reporting non-financial corporations		2010	2011	2012	2013	2014	2015
Number of corporations	CBI	560.627	594.687	622.919	546.040	—	—
	CBQ	799	813	834	837	859	834
% of GVA of the sector non-financial corporations	CBI	42.4	44.7	45.1	40.2	—	—
	CBQ	11.4	12.1	12.2	11.7	13.2	14.1

SOURCE: Banco de España.

a The 2010, 2011, 2012 and 2013 data for the corporations reporting to the CBI, and the average data of the four quarters of each year in relation to the previous year (CBQ).
b Average of the four quarters of 2014 relative to the same period of 2013.
c 2015 Q2 data relative to 2014 Q1.

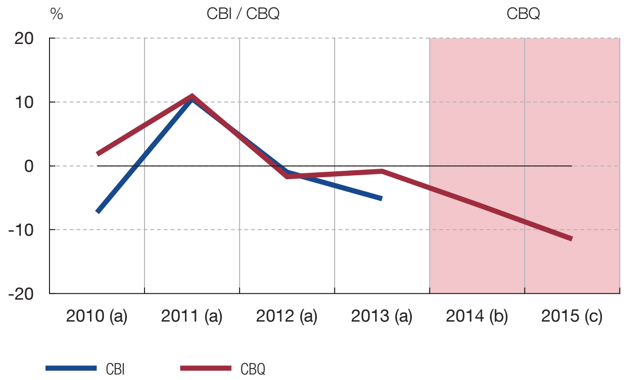
year (see Table 1 and Chart 1). This took place against a backdrop of gradual recovery in domestic demand and continued buoyancy of exports. The breakdown of turnover by destination shows how exports continued to grow at a strong pace (9.5%), which was even higher than domestic sales that also showed notable growth of 6.8% (compared with a decline of 1.2% a year earlier). That led to the weight of exports as a percentage of turnover increasing by 0.4 pp to 20.5% (see Table 2).

The sectoral breakdown shows that this pattern of improvement is extremely uneven; it reached all sectors of activity apart from energy, the only sector in which GVA performed more negatively than in the previous year (it declined by 9%, compared with an increase

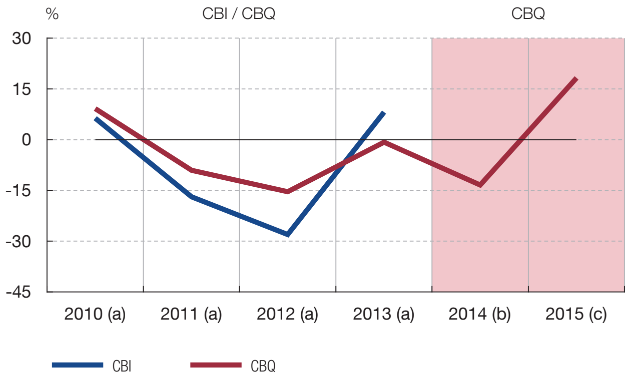
NON-FINANCIAL CORPORATIONS REPORTING TO THE CENTRAL BALANCE SHEET DATA OFFICE (cont'd)

CHART 1

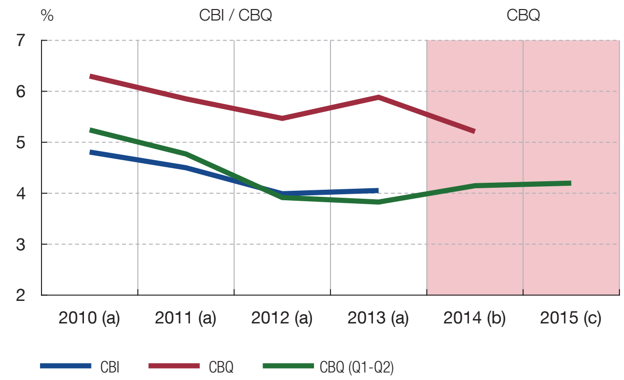
FINANCIAL COSTS
Rate of change



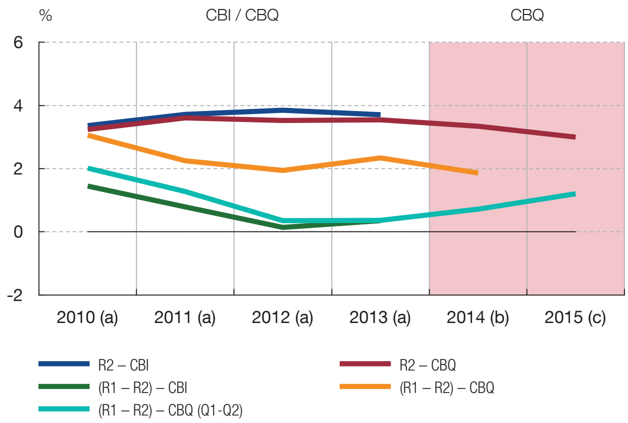
ORDINARY NET PROFIT
Rate of change



RETURN ON INVESTMENT (R.1)
Ratios



COST OF DEBT (R.2) AND
ROI - COST OF DEBT (R.1 – R.2)
Ratios



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SOURCE: Banco de España.

a The 2010, 2011, 2012 and 2013 data for the corporations reporting to the CBI, and the average data of the four quarters of each year (CBQ) in relation to the previous year.
b Average of the four quarters of 2014. The rates are calculated relative to the same period in 2013.
c 2015 Q2 data. The rates are calculated relative to the same period in 2014.

of 4.7% in the same period of 2014) (see Table 3). Among the other aggregates, noteworthy is the strong growth observed in the industrial sector (28.2%), which was highly influenced by the notable expansion of GVA at oil refining companies. Nevertheless, the other industrial subsectors also showed significant increases of more than 10% in nearly all cases which were stronger than those recorded a year earlier. In wholesale and retail trade, and accommodation and food service activities, which was boosted by buoyant private consumption, the increase was also substantial (6.4%), and more than 1.5 pp higher than the previous year. The information and communications sector once again posted a decline (4%), although it was more moderate than that observed during the

TABLE 2

PURCHASES AND TURNOVER OF CORPORATIONS REPORTING DATA ON PURCHASING SOURCES AND SALES DESTINATIONS
Structure and rate of change, percentages

		CBA (a)	CBQ (b)		
		2013	2014 Q1-Q4	2014 Q1-Q2	2015 Q2-Q1
Total corporations		8,250	859	834	834
Corporations reporting source/destination		8,250	784	768	768
Percentage of net purchases according to source	Spain	64.8	69.7	72.4	71.8
	Total abroad	35.2	30.3	27.6	28.2
	EU countries	15.4	20.8	21.3	21.2
	Third countries	19.8	9.6	6.3	6.9
Percentage of net turnover according to source	Spain	78.2	80.5	79.9	79.5
	Total abroad	21.8	19.5	20.1	20.5
	EU countries	13.0	13.5	14.4	13.9
	Third countries	8.8	6.0	5.7	6.6
Change in net external demand (exports less imports), rate of change	Industry	—	-8.6	6.3	1.2
	Other corporations	71.7	-36.5	-48.5	10.6

SOURCE: Banco de España.

a These data are only available for CBA corporations.
b All the data in these columns have been calculated as the weighted average of the quarterly data.

TABLE 3

VALUE ADDED, EMPLOYEES, PERSONNEL COSTS AND COMPENSATION PER EMPLOYEE. BREAKDOWN BY SIZE AND MAIN ACTIVITY OF CORPORATIONS
Growth rate of the same corporations on the same period a year earlier, percentages.

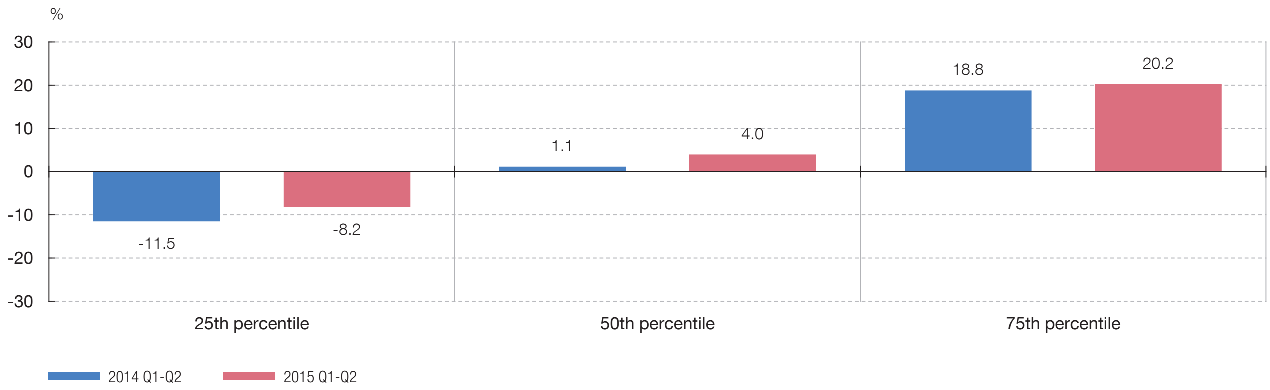
	Gross value added at factor cost				Employees (average for period)				Personnel costs				Compensation per employee			
	CBI	CBQ (a)			CBI	CBQ (a)			CBI	CBQ (a)			CBI	CBQ (a)		
	2013	2014 Q1-Q4	2014 Q1-Q2	2015 Q1-Q2	2013	2014 Q1-Q4	2014 Q1-Q2	2015 Q1-Q2	2013	2014 Q1-Q4	2014 Q1-Q2	2015 Q1-Q2	2013	2014 Q1-Q4	2014 Q1-Q2	2015 Q1-Q2
TOTAL	**-2.8**	**0.0**	**1.5**	**3.8**	**-1.8**	**-0.4**	**-1.0**	**1.3**	**-2.1**	**0.9**	**-0.1**	**1.7**	**-0.3**	**1.3**	**0.8**	**0.4**
SIZE																
Small	-2.3	—	—	—	-1.7	—	—	—	-2.7	—	—	—	-1.0	—	—	—
Medium	-0.8	4.4	5.6	7.5	-1.3	2.5	2.5	2.6	-1.0	2.4	2.2	3.3	0.3	-0.1	-0.3	0.7
Large	-3.2	-0.1	1.4	3.8	-2.0	-0.4	-1.0	1.3	-1.8	0.9	-0.2	1.7	0.1	1.3	0.9	0.4
BREAKDOWN BY ACTIVITY																
Energy	-5.0	4.1	4.7	-9.0	-2.7	-2.8	-5.1	0.2	-1.3	-1.5	-2.9	-1.1	1.4	1.3	2.4	-1.3
Industry	-2.0	-4.0	1.8	28.2	-1.6	-0.2	-0.8	1.1	-0.9	1.3	-0.1	3.4	0.7	1.5	0.7	2.2
Wholesale & retail trade and accommodation & food service activities	-0.4	1.9	4.8	6.4	-1.8	-0.6	-1.4	1.2	-1.6	2.8	2.4	1.2	0.2	3.4	3.9	0.0
Information and communications	-5.2	-7.2	-6.8	-4.0	-2.5	-1.5	-2.9	0.9	-5.1	-0.2	-2.4	2.5	-2.6	1.3	0.6	1.6
Other activities	-3.6	2.1	1.9	3.7	-1.7	0.5	0.8	1.9	-2.5	0.6	-0.2	1.8	-0.8	0.1	-1.0	-0.1

SOURCE: Banco de España.

a All the data in these columns have been calculated as the weighted average of the quarterly data.

PERCENTILES OF DISTRIBUTION OF CORPORATIONS BY RATE OF CHANGE IN GROSS VALUE ADDED

CHART 2



SOURCE: Banco de España.

EMPLOYMENT

TABLE 4

		Total CBQ corporations 2015 Q1-Q2	Corporations increasing (or not changing) staff levels	Corporations reducing staff levels
Number of corporations		834	499	335
NUMBER OF EMPLOYEES				
Initial situation 2014 Q1-Q2 (000s)		904	583	321
Rate 2015 Q1-Q2 / 2014 Q1-Q2		1.3	4.5	-4.4
Permanent	Initial situation 2014 Q1-Q2 (000s)	768	490	278
	Rate 2015 Q1-Q2/ 2014 Q1-Q2	-0.3	1.7	-3.9
Non-permanent	Initial situation 2014 Q1-Q2 (000s)	137	94	43
	Rate 2015 Q1-Q2/ 2014 Q1-Q2	10.6	18.9	-7.2

SOURCE: Banco de España.

PERSONNEL COSTS AND EMPLOYEES
Percentage of corporations in specific situations

TABLE 5

	CBI		CBQ (a)			
	2012	2013	2013 Q1-Q4	2014 Q1-Q4	2014 Q1-Q2	2015 Q1-Q2
Number of corporations	622,919	546,040	837	859	892	834
Personnel costs	100	100	100	100	100	100
Falling	38.7	37.0	49.2	41.7	42.9	37.6
Constant or rising	61.3	63.0	50.8	58.3	57.1	62.4
Average number of employees	100	100	100	100	100	100
Falling	29.4	27.7	53.9	48.0	50.1	40.2
Constant or rising	70.6	72.3	46.1	52.0	49.9	59.8

SOURCE: Banco de España.

a Weighted average of the relevant quarters for each column.

GROSS OPERATING PROFIT, ORDINARY NET PROFIT, RETURN ON INVESTMENT AND ROI-COST OF DEBT (R.1 – R.2).
BREAKDOWN BY SIZE AND MAIN ACTIVITY OF CORPORATIONS
Ratios and growth rates of the same corporations on the same period a year earlier, percentages

TABLE 6

	Gross operating profit				Ordinary net profit				Return on investment (R.1)				ROI-cost of debt (R.1-R.2)			
	CBI	CBQ (a)			CBI	CBQ (a)			CBI	CBQ (a)			CBI	CBQ (a)		
	2013	2014 Q1-Q4	2014 Q1-Q2	2015 Q1-Q2	2013	2014 Q1-Q4	2014 Q1-Q2	2015 Q1-Q2	2013	2014 Q1-Q4	2014 Q1-Q2	2015 Q1-Q2	2013	2014 Q1-Q4	2014 Q1-Q2	2015 Q1-Q2
TOTAL	**-4.3**	**-1.0**	**3.2**	**6.1**	**8.2**	**-13.4**	**3.9**	**18.3**	**4.1**	**5.2**	**4.2**	**4.2**	**0.4**	**1.9**	**0.7**	**1.2**
SIZE																
Small	-0.8	—	—	—	149.7	—	—	—	1.0	—	—	—	-2.5	—	—	—
Medium	-0.1	8.6	12.7	16.8	6.1	8.6	11.6	30.8	3.6	4.8	4.7	5.3	-0.4	1.4	0.8	2.6
Large	-5.3	-1.1	3.1	6.1	6.4	-13.5	3.9	18.2	5.1	5.2	4.1	4.2	1.3	1.9	0.7	1.2
BREAKDOWN BY ACTIVITY																
Energy	-6.5	6.3	7.6	-11.7	-4.3	-11.2	18.2	-7.9	6.0	4.8	4.9	3.8	1.8	1.1	1.1	0.5
Industry	-4.4	-15.5	5.9	76.0	-11.1	-29.4	0.4	164.1	4.4	3.5	3.3	8.7	0.7	0.9	0.6	6.3
Wholesale & retail trade and accommodation & food service activities	3.7	0.4	9.2	15.3	12.0	-4.8	6.5	37.9	5.1	9.6	6.5	8.7	1.1	6.1	2.6	5.6
Information and communications	-5.2	-10.4	-8.9	-7.9	-3.2	-15.6	-9.8	-19.7	13.3	16.3	15.8	14.8	9.1	12.8	11.6	12.7
Other activities	-7.2	5.3	6.7	7.8	84.1	-15.9	-2.6	16.3	2.8	4.4	3.0	2.8	-0.7	1.2	-0.4	-0.2

SOURCE: Banco de España.

a All the data in these columns have been calculated as the weighted average of the quarterly data.

same period of the previous year (6.8%). Lastly, the aggregate which includes other activities recorded a rise of 3.7%, higher than that in 2014 (1.9%), and the most pronounced increase occurred at the companies in the transport and other services subsectors.

Chart 2 suggests that the more favourable GVA performance was quite widespread across firms, since all three distribution quartiles of GVA growth rose. Furthermore, if the changes at the extremes of the distribution are compared, it can be seen that the increase was sharper in the 25th percentile, which includes firms that performed more unfavourably, than in the 75th percentile. Consequently, the slightly lower dispersion of the growth rates of this variable – approximated by the distance between these two quartiles – indicates that changes in activity at individual level are less heterogeneous.

Employment and personnel costs

Personnel costs grew 1.7% during the first half of 2015, compared with a virtually zero rate of change a year earlier (–0.1%). This is mainly explained by the recovery in employment of 1.3% (see Table 3) which represents the largest increase in the CBQ sample since 2006. By type of contract, temporary employment rose by a strong 10.6% (see Table 4), while the number of workers with permanent contracts continued to fall, although at a more subdued pace (0.3%, compared with a decline of 1.6% in the same period of the previous year). In keeping with this positive performance, Table 5 shows that the percentage of corporations that destroyed jobs fell again in the first half of the year, reaching 40.2%, almost 10 pp below the previous year's figure. The sectoral breakdown reveals that the rise in the number of workers was broadly-based. The highest growth (1.9%) was observed in the group that covers all other activities, while the smallest rise was posted in energy (0.2%). In the other sectors, the increases ranged from 0.9% to 1.2%.

The CBQ[1] information underlines that the debt of the group of corporations included in this sample (in which large corporations are over-represented) showed a downward trajectory between 2012 and 2014, which is consistent with the deleveraging observed during this period in the Financial Accounts of the Spanish Economy. The micro data illustrate significant heterogeneity in changes in corporate debt at individual and sector level. For instance, as shown in Panel 1, while the most indebted companies[2] gradually reduced their volume of borrowing between 2012 and 2014, in keeping with the larger adjustments required in their balance sheets, that at other companies increased throughout this period, fluctuating between 3.7% in 2014 and 10.9% in 2013. The latest available information suggests these patterns have continued during the first half of 2015, when the debt of the whole sample is estimated to have ceased falling (in year-on-year terms it hardly slipped 0.2%, whereas it rose slightly by 0.5% with respect to end-2014). These changes seem to be explained by the more buoyant borrowing of the least indebted firms and a slight moderation in the decline recorded by the borrowing of those firms which initially had higher leverage.

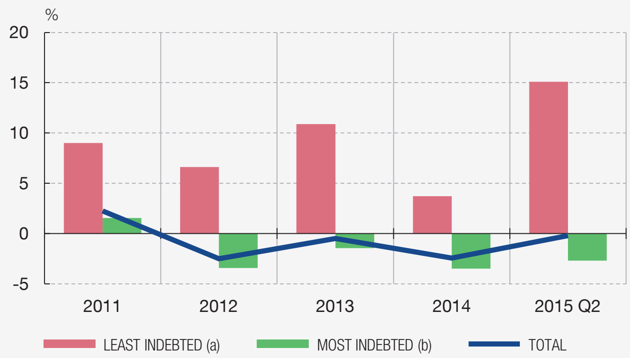
The changes described have brought the debt ratio levels of the two groups of firms closer together since at the most indebted firms this indicator has gradually decreased and the opposite has occurred at the least leveraged firms (see Panel 2). Specifically, the gap between the two groups narrowed by almost 10 pp between 2011 and mid-2015.

The breakdown by sector of activity also indicates that changes in corporate debt are highly uneven (see Panel 3). For instance,

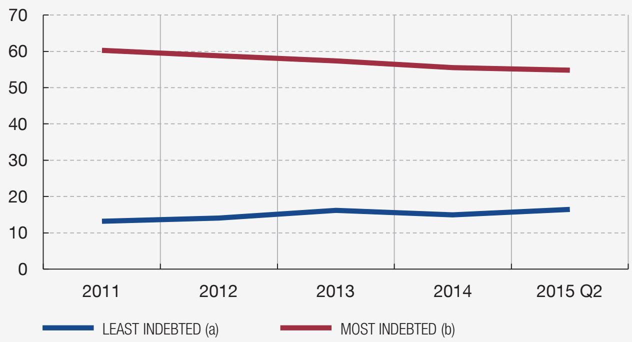
1 The database of the Central Balance Sheet Data Office Quarterly Survey (CBQ) comprises a sample of between 800 and 1000 firms, in which large firms are over-represented and permits the study of the recent performance of the main indicators of the non-financial corporations sector.

2 The most indebted corporation was defined as the corporation in each sector of activity with a debt/assets ratio equal to or higher than the median value.

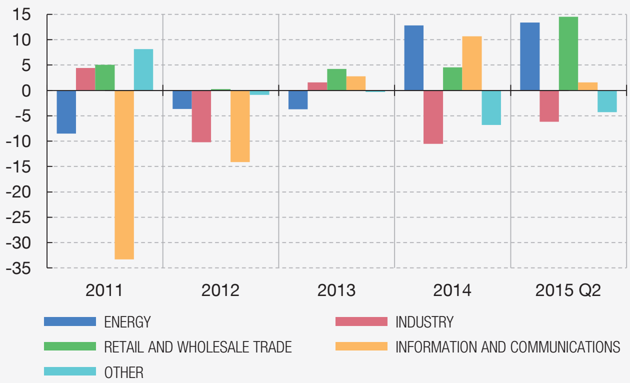
1 YEAR-ON-YEAR RATE OF CHANGE IN FINANCIAL DEBT BREAKDOWN BY DEBT LEVEL



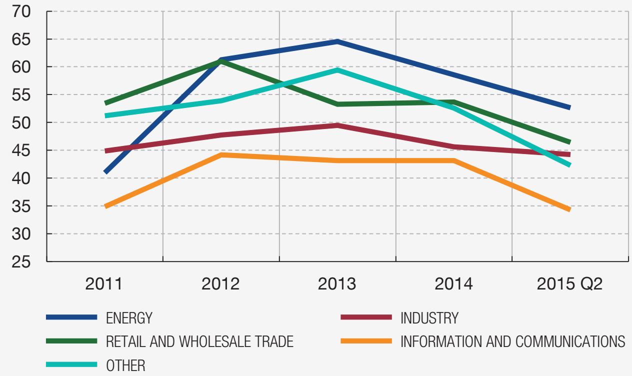
2 DEBT RATIO (c)



3 YEAR-ON-YEAR RATE OF CHANGE IN FINANCIAL DEBT BREAKDOWN BY SECTOR



4 PERCENTAGE OF COMPANIES DELEVERAGING



SOURCE: Banco de España.

a Companies whose debt ratio is below median debt in the sector at the end of the previous period.
b Companies whose debt ratio is above median debt in the sector at the end of the previous period.
c Ratio calculated as interest-bearing debt/net assets.

except for in 2012 when deleveraging was quite widespread, in the other years changes of different signs can be observed in the balance of borrowed funds of the productive activities analysed.

Another useful indicator for measuring the degree to which debt has performed uniformly is the percentage of firms whose debt has decreased each year. As can be observed in Panel 4, aggregate deleveraging between 2012 and 2014 was compatible with the existence of a significant proportion of companies which did not reduce their debt. The deleveraging affected a growing number of companies until 2013, a year in which the energy, wholesale and retail trade sectors, and the sector covering all other activities recorded very high values of 64.6%, 53.3% and 59.4%, respectively. Information and communications was the only sector in which the deleveraging ratio held clearly below 50%, while in the industrial sector it rose to 49.5% in 2013. Henceforth, this indicator began to fall across all sectors. As a result, in 2015 energy was the only sector where the reduction in liabilities impacted more than half of the companies (52.7%), which was far removed from the figure of almost 65% affected two years earlier.

In short, the debt of the set of firms reporting to the CBQ decreased between 2012 and 2014, in unison with the pattern observed with the information from the Financial Accounts of the Spanish Economy. However, the micro data show that this performance is the result of very uneven behaviour at individual and sector level. In particular, this aggregate deleveraging was compatible with a significant proportion of firms that continued to increase these liabilities, essentially those firms which started out from a sounder financial position. That prompted the debt ratios of the most and least indebted companies to move slightly closer together. The most recent data reveal that the aggregate debt of the companies reporting to the CBQ is estimated to have ceased falling during the first half of 2015, as a result of both the greater buoyancy of funds raised by firms in a sounder position – seemingly triggered by improved economic and financial conditions – and the fact that deleveraging has become less significant following the adjustments made in previous years.

Average compensation rose by 0.4%, a slightly lower rate than in the first half of 2014 (0.8%). The sectoral breakdown reveals high cross-sector dispersion. Thus, while wage costs per worker declined 1.3% in energy, in industry and information and communications they increased by 2.2% and 1.6%, respectively, in both cases a more marked increase than a year earlier. Lastly, in the wholesale and retail trade and in the group that covers all other activities there was practically zero change in these costs.

Profit, rates of return and debt

During the first six months of 2015 GOP grew 6.1%, clearly higher than the rate of increase in the same period of the previous year (3.2%). The sectoral breakdown shows highly uneven growth (see Table 6). Specifically, the strongest increase was in industry (76%), as was the case with GVA. The sectors of wholesale and retail trade and accommodation and food service activities and the group that covers all other activities also experienced notable growth (15.3%, and 7.8% respectively). By contrast, in the information and communications and energy sectors GOP fell by 7.9% and 11.7%, respectively. In the case of the former, the decline was more subdued than a year earlier, while in the case of the latter it contrasts with an increase of 7.6% in 2014.

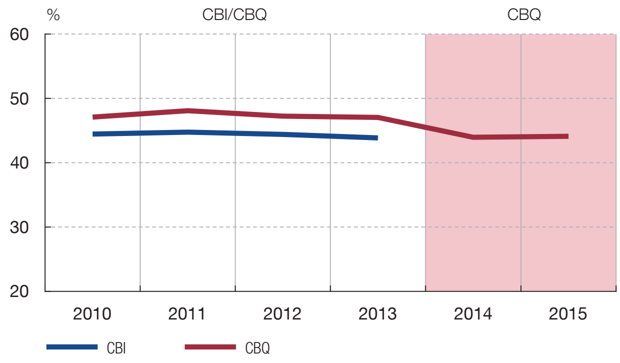
Financial revenue decreased by 5.9%, mainly affected by lower interest revenue which fell 22%. In any event, this decline was partially offset by an increase of 1.8% in dividend receipts.

During the first half of 2015, the aggregate debt of the corporations reporting to the CBQ rose with respect to December 2014, as a result of the increase in financing raised by the least leveraged firms and of less vigorous deleveraging (see Box 1). That led the E1 ratio (calculated as interest-bearing debt/net assets) to climb 0.1 pp to 44.1% (see Chart 3). However, the E2 ratio (debt/ordinary profit) fell slightly to 601.6% (compared with 604.3%

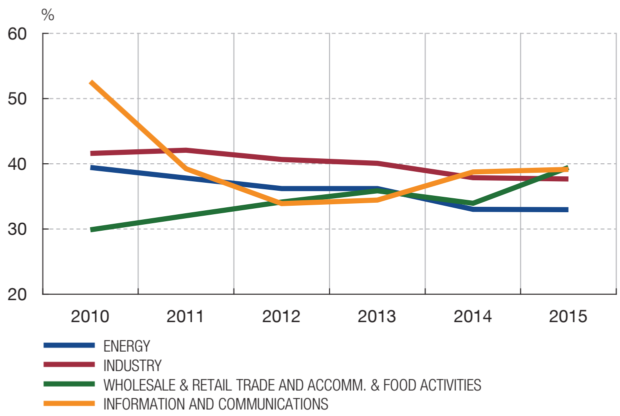
DEBT RATIOS

CHART 3

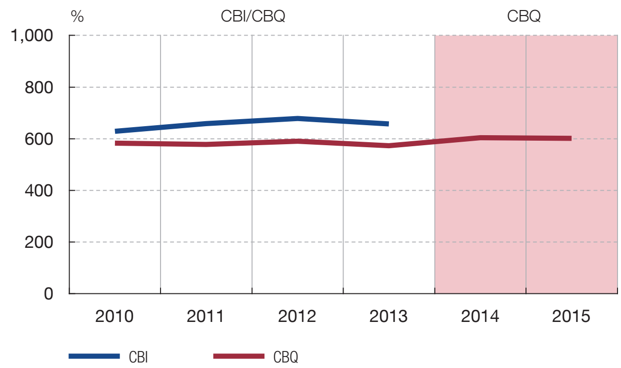
E1. INTEREST-BEARING BORROWING/NET ASSETS (a)
TOTAL CORPORATIONS



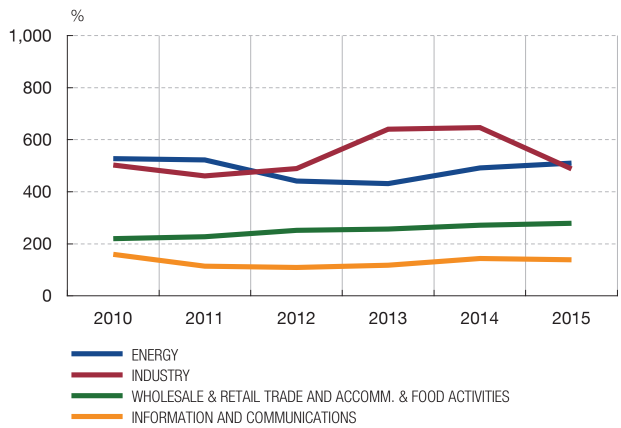
E1. INTEREST-BEARING BORROWING/NET ASSETS (a)
BREAKDOWN BY SECTOR. CBQ



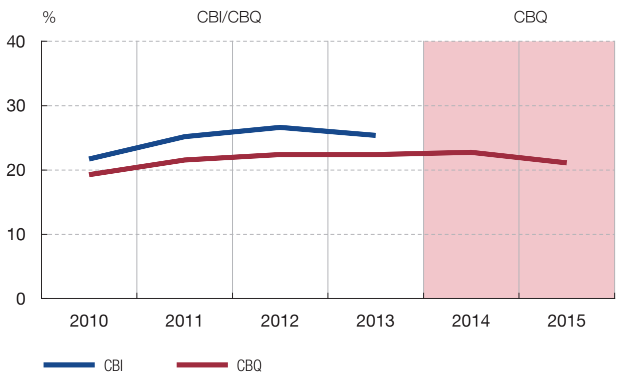
E2. INTEREST-BEARING BORROWING/(GOP + FR) (b)
TOTAL CORPORATIONS



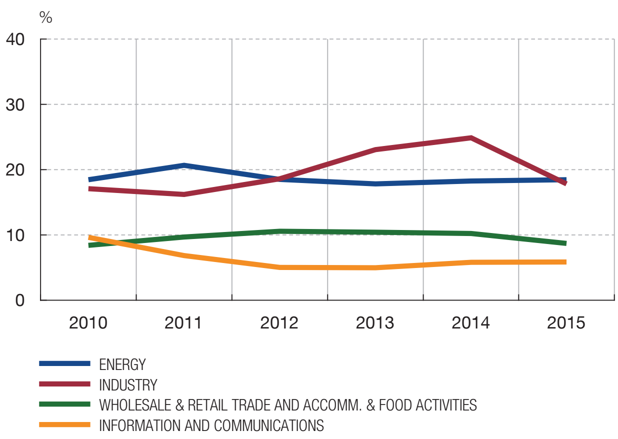
E2. INTEREST-BEARING BORROWING/(GOP + FR) (b)
BREAKDOWN BY SECTOR. CBQ



INTEREST BURDEN
TOTAL CORPORATIONS
(Interest on borrowed funds)/(GOP + FR)



INTEREST BURDEN
BREAKDOWN BY SECTOR. CBQ
(Interest on borrowed funds)/(GOP + FR)



SOURCE: Banco de España.

a Ratio calculated from final balance sheet figures. Own funds include an adjustment to current prices.
b Ratio calculated from final balance sheet figures. Interest-bearing borrowing includes an adjustment to eliminate intra-group debt (approximation of consolidated debt).

FINANCIAL COSTS
Percentages

TABLE 7

	CBI	CBQ	
	2013/2012	2014 Q1-Q4/ 2013 Q1-Q4	2015 Q1-Q2/ 2014 Q1-Q2
Change in financial costs	**-5.1**	**-6.0**	**-11.5**
A Interest on borrowed funds	-5.5	-5.9	-11.2
1 Due to the cost (interest rate)	-3.9	-4.4	-12.1
2 Due to the amount of interest-bearing debt	-1.6	-1.5	0.9
B Other financial costs	0.4	-0.1	-0.3

SOURCE: Banco de España.

STRUCTURE OF RETURN ON INVESTMENT AND ORDINARY RETURN ON EQUITY

TABLE 8

		CBQ			
		Return on investment (R.1)		Ordinary return on equity (R.3)	
		2014 Q1-Q2	2015 Q1-Q2	2014 Q1-Q2	2015 Q1-Q2
Number of corporations		892	834	892	834
Percentage of corporations by profitability bracket	R <= 0%	28.7	24.7	34.6	29.3
	0% < R <= 5%	27.4	26.8	18.1	18.4
	5% < R <= 10%	14.8	15.9	11.3	12.5
	10% < R <= 15%	7.7	9.0	7.0	7.9
	15% < R	21.4	23.6	29.0	32.0
MEMORANDUM ITEM: Average return		4.2	4.2	4.7	5.1

SOURCE: Banco de España.

at end-2014) since the denominator (ordinary profit) grew more sharply than the numerator (debt). The sectoral breakdown shows that the growth in the E1 ratio was concentrated in wholesale and retail trade and accommodation and food service activities, while in the case of the E2 ratio, the most pronounced change seen was a notable decline in industry driven by the favourable performance of operating revenue.

For the first half of the year on average, compared with the same period in 2014, debt also rose slightly. Notwithstanding this, financial costs decreased by 11.5%, bolstered by the 12.1% decline in the average cost of funds, which stood at 3%, 0.4 pp lower than a year earlier (see Table 7). These developments, along with the increase in ordinary profit, prompted a drop in the debt burden ratio measured with respect to GOP and financial revenue, to 21.1% (compared with 22.7% in 2014).

Depreciation, impairment and operating provisions slipped 3.7% which, together with the performance of operating activity and financial costs and revenue, led to growth of 18.3% in ONP in the first half of 2015 that was considerably higher than the 3.9% rise in the same period of the previous year. The favourable developments in corporate profits fed through to ROE which rose 0.4 pp to 5.1%. By contrast, ROI held steady at 4.2% (see Table 6), since the increase in ordinary profit, excluding financial costs (the numerator of this ratio), was offset by the increase in net assets (denominator of this ratio). The sectoral breakdown of ROI is highly uneven. For instance, ROI increased clearly in industry and wholesale and retail trade and accommodation and food service activities to 8.7% in both cases, compared with 3.3% and 6.5% a year earlier. Conversely, it fell around 1 pp in energy and in information and communications, reaching 3.8% and 14.8%, respectively. ROI declined slightly to 2.8% in the sector that covers all other activities. This positive performance of corporate profits resulted in a considerable fall in the percentage of companies with negative returns (see Table 8). The difference between the return on investment and the cost of borrowing in the whole sample increased by 0.5 pp to 1.2%, owing to the decrease in interest rates.

Lastly, extraordinary costs and revenue had a positive and significant impact on profit in the first half of the year, primarily owing to large capital gains obtained on the disposal of financial assets. In consequence, net profit grew by 47%. As a percentage of GVA, it rose to 34.6%, slightly more than 11 pp above the previous year's figure.

16.9.2015.