RESULTS OF NON-FINANCIAL CORPORATIONS IN 2015 AND IN THE FIRST THREE QUARTERS OF 2016

The authors of this article are Álvaro Menéndez and Maristela Mulino, of the Directorate General Economics, Statistics and Research.

The productive activity of firms continued on the path of recovery, both in 2015 overall and in the first nine months of 2016, while employment rose in most sectors and firms. The upturn in ordinary profit allowed aggregate ordinary profitability levels to increase once again, both in 2015 and the period analysed so far in 2016, although the unfavourable course of extraordinary costs and revenue in 2015 led to a fall in net profit for the year. Lastly, in 2015 and the first three quarters of 2016, the financial position of firms grew stronger, as reflected in the decrease of the debt ratios and, to a greater extent, the debt burden ratio. This article contains two boxes, the first of which explains how, in 2015 (the most recent period for which data are available for this type of firm), Spanish SMEs were characterised by more buoyant economic activity, stronger employment growth and higher profitability than larger firms. The second box analyses the performance of firms in terms of changes in employment, and concludes that firms that have expanded their workforces in recent years are characterised by being more profitable on average and having a sounder financial situation than other firms.

Overview[1]

This article presents the results for 2015 on the basis of the sample of non-financial corporations reporting to the Integrated Central Balance Sheet Data Office (CBI), which comprises both the data submitted by firms responding to the annual survey of the Central Balance Sheet Data Office (CBA) and that obtained from accounts filed in the Mercantile Registries (CBB). It also analyses the most recent data, in the period to September 2016, obtained from the sample of the Central Balance Sheet Data Office's Quarterly Survey (CBQ), which is smaller and in which large corporations are over-represented.

The CBI data confirms, for 2015, the main features already disclosed by the CBQ (see the Economic Bulletin of March 2016), especially for the large corporation segment. Thus, last year, firms' productive activity continued to improve, with gross value added (GVA) growing by 6.6% in nominal terms, compared with an increase of 2.9% in the previous year. The breakdown by size shows that there was again a higher rate of GVA growth in smaller firms, as has been the case since the start of the recovery in 2013 (see Box 1).

The CBQ data shows that activity continued to grow in the first three quarters of 2016, albeit at a somewhat slower pace than in the previous year. Thus, in this period, nominal GVA for the whole sample increased by 3.3% in year-on-year terms, compared with 4.2 % a year earlier. This slowdown, however, was highly influenced by the performance of the oil refining sub-sector, which is over-represented in the CBQ and had extraordinary GVA growth last year, in a setting of widening margins.

The recovery in activity led to employment growth, both in 2015 (by 3.9%) and during the first three quarters of 2016, albeit at a slower pace (1%), as it was greatly affected by the poor performance of some larger firms which are over-represented in the CBQ.

1 This article draws on information on the 317,182 firms comprising the CBI sample for 2015, and with the 835 firms that sent their data for the first three quarters of 2016 to CBQ, up to 14 November. The CBI sample accounts for 35.4% of the non-financial corporations sector in terms of GVA, while the CBQ sample accounts for 13.4% of the GVA generated by the sector, according to the National Accounts data provided for both periods.

Ordinary net profit (ONP) grew at a brisk rate, both in 2015 (27.9%) and, to a lesser degree, in the first nine months of 2016 (16.7%). This expansionary trend relied mostly on the buoyancy of the GVA and the decrease in financial costs owing essentially to the fall in interest rates. Despite the upturn in the ordinary surplus, the unfavourable course of extraordinary costs and revenue in 2015 led to a fall of 17.8% in net profit in 2015. In the first three quarters of 2016, the trend in non-recurring items had a positive impact, which, however, was offset by the increase in the corporate income tax expense. As a result, net profit increased by 12.9% in 2016. Expressed as a percentage of GVA, this surplus rose to 29.6%, three percentage points more than in the same period a year earlier.

In this context, the aggregate return ratios rose both in 2015 and in the first three quarters of 2016. In parallel, there was a shift in the distribution of this indicator by firms to higher levels. In any event, the evolution of the aggregate return on assets, together with the decrease in the average cost of borrowing, led to a widening of the spread between the two ratios, both in 2015 and between January and September 2016, to 1.9 pp, 0.4 pp above that recorded a year earlier in the quarterly sample.

Lastly, borrowing by the firms in the sample continued to decline, although at an increasingly moderate pace, translating into a decrease in the debt-to-assets ratio both in 2015 and the first nine months of 2016. The debt-to-operating profit ratio and the interest burden ratio (financial costs as a proportion of total turnover) also decreased in the two periods analysed, impacted by the decline in borrowing (in the former case) and financial costs (in the latter case) and by the growth in operating profit, which constitutes the denominator of the two ratios. On the whole, the performance of the three indicators suggest that the financial pressure borne by firms decreased in the period under review.

Activity

According to the data compiled by the CBI, the GVA of the non-financial corporations in this sample grew by 6.6% in nominal terms (see Table 1 and Chart 1), compared with the increase of 2.9% in the previous year. This trend was the result of the good performance of both domestic demand and external activity. For the third consecutive year, SMEs' GVA growth outperformed that of larger corporations. Specifically, in 2015, GVA rose by 7.6% in SMEs (7.8% among small firms and 6.3% among medium firms; see Table 2 and Box 1), as compared to the 6.3% increase at large corporations.

The CBQ data for the first three quarters of 2016 evidences a continuation of the recovery in business activity, albeit at a somewhat slower pace. Specifically, nominal GVA increased by 3.3% in this period, as compared to the 4.2% increase recorded a year earlier in the quarterly sample. This slowdown was greatly influenced by the extraordinary growth in 2015 of this surplus in the oil refining sub-sector, which is part of the industrial sector.

The positive performance of productive activity was achieved in a setting in which exports continued to gain in importance relative to total net turnover, standing at 22.2% between January and September 2016, almost one percentage point higher than in the same period in 2015 in the quarterly sample (see Table 3).

Turning to a sector-by-sector analysis, most sectors recorded increases in GVA in the two periods under review, with the exception of the energy sector in 2015 (see Table 2). In this sector, GVA increased by 3.3% in the first nine months of 2016, in contrast with the decline recorded in the previous year (0.3% in the CBI) In the industrial sector, GVA grew by 0.3% in 2016, much lower than the 13.1% increase recorded in 2015. This slowdown, as mentioned earlier, was highly influenced by the performance of the oil

PROFIT AND LOSS ACCOUNT. YEAR-ON-YEAR CHANGES AND PROFIT RATIOS
Growth rates of the same corporations on the same period a year earlier

TABLE 1

	CBI structure	CBI		CBQ (a)		
DATABASES	2015	2014	2015	2015 Q1-Q4 / 2014 Q1-Q4	2015 Q1-Q3 / 2014 Q1-Q3	2016 Q1-Q3 / 2015 Q1-Q3
Number of corporations		639,084	317,139	974	992	835
Total national coverage (% of GVA)		48.0	35.5	14.0	14.4	13.4
PROFIT AND LOSS ACCOUNT						
1 VALUE OF OUTPUT (including subsidies)	100.0	2.0	1.4	-2.9	-2.0	-4.7
Of which:						
Net amount of turnover and other operating income	*149.4*	*3.5*	*0.1*	*-3.1*	*-1.5*	*-6.6*
2 INPUTS (including taxes)	65.3	1.6	-1.1	-6.7	-4.7	-8.5
Of which:						
Net purchases	*42.0*	*2.0*	*-3.5*	*-9.3*	*-9.2*	*-9.7*
Other operating costs	*23.6*	*1.2*	*3.8*	*0.0*	*4.5*	*-5.3*
S.1 GROSS VALUE ADDED AT FACTOR COST [1 – 2]	34.7	2.9	6.6	6.2	4.2	3.3
3 Personnel costs	21.8	2.4	3.2	2.3	2.2	1.0
S.2 GROSS OPERATING PROFIT [S.1 – 3]	12.9	3.9	13.1	10.8	6.5	5.5
4 Financial revenue	3.8	-16.3	-6.0	-6.8	-0.6	6.9
5 Financial costs	3.4	-6.5	-9.3	-9.3	-12.0	-9.8
6 Depreciation, impairment and operating provisions	5.9	-6.7	-0.3	0.2	-2.6	1.4
S.3 ORDINARY NET PROFIT [S.2 + 4 – 5 – 6]	7.4	8.4	27.9	20.4	23.5	16.7
7 Gains (losses) from disposals and impairment	-2.3	80.2	—	—	-71.1	—
7' As a percentage of GVA (7 / S.1)		-1.7	-6.7	-13.4	0.4	7.5
8 Changes in fair value and other gains (losses)	-0.8	—	—	-80.3	—	—
8' As a percentage of GVA (8 / S.1)		0.5	-2.2	-4.5	0.8	-2.6
9 Corporate income tax	0.6	45.6	32.7	—	-54.6	—
S.4 NET PROFIT [S.3 + 7 + 8 - 9]	3.7	—	-17.8	-54.2	43.9	12.9
S.4' As a percentage of GVA (S.4 / S.1)		12.1	10.6	10.9	26.6	29.6
PROFIT RATIOS	Formulas (b)					
R.1 Return on investment (before taxes)	(S.3 + 5.1) / AN	4.4	4.6	5.3	4.4	4.6
R.2 Interest on borrowed funds/ interest-bearing borrowing	5.1 / RAC	3.5	3.2	3.0	3.0	2.7
R.3 Ordinary return on equity (before taxes)	S.3 / PN	5.0	5.6	7.2	5.6	6.0
R.4 ROI – cost of debt (R.1 – R.2)	R.1 – R.2	0.9	1.4	2.3	1.5	1.9

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

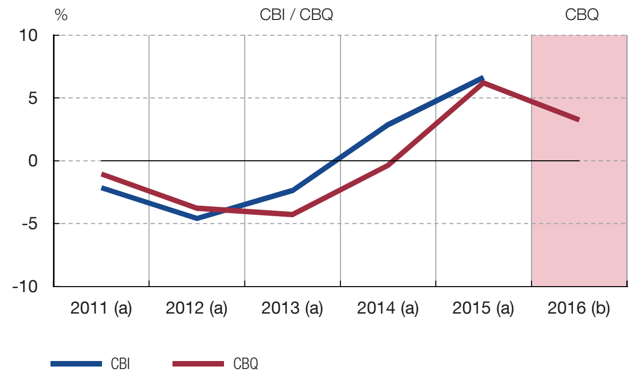
a All the data in these columns have been calculated as the weighted average of the quarterly data.
b NA = Net assets (net of non-interest-bearing borrowing); E = Equity; IBB = Interest-bearing borrowing; NA = E + IBB. The financial costs in the numerators of ratios R.1 and R.2 only include the portion of financial costs that is interest on borrowed funds (5.1).

refining sub-sector. Specifically, there was a contraction of 12.8% in this sub-sector (compared with the 173% increase recorded in the same period a year earlier). There was also a decline, of 5.9%, in the sub-sector for the manufacture of mineral and metal products. Conversely, other industrial sub-sectors were markedly dynamic and posted significant increases, such as the chemical industry (9.5%) and the manufacture of transport equipment (6.9%). The wholesale and retail trade and accommodation and food service activities benefited from the recovery in consumption and continued to show expansionary behaviour, with increases in GVA of 7.1% in 2015 and of 6% in the

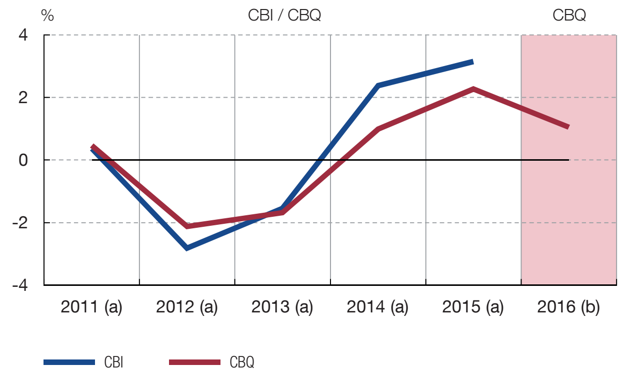
NON-FINANCIAL CORPORATIONS REPORTING TO THE CENTRAL BALANCE SHEET DATA OFFICE

CHART 1

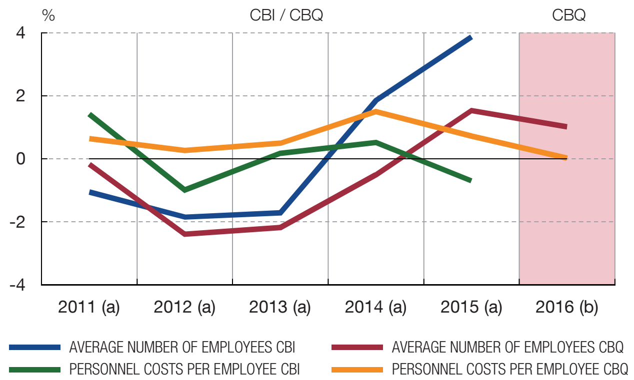
1 GROSS VALUE ADDED AT FACTOR COST
Rate of change



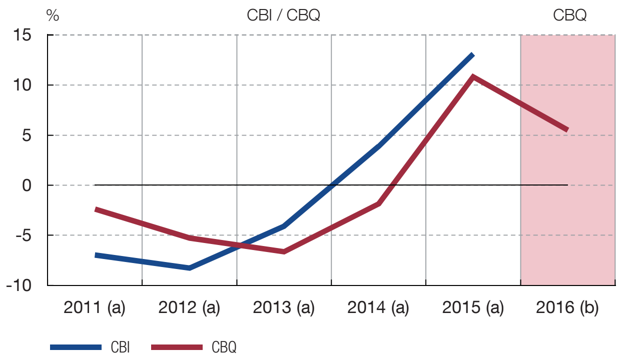
2 PERSONNEL COSTS
Rate of change



3 EMPLOYMENT AND WAGES
Rate of change



4 GROSS OPERATING PROFIT
Rate of change



Reporting non-financial corporations		2011	2012	2013	2014	2015	2016
Number of corporations	CBI	594,687	629,926	627,102	639,084	317,139	—
	CBQ	820	840	842	888	974	835
% of GVA of the sector non-financial corporations	CBI	44.9	47.9	48.0	48.0	35.5	—
	CBQ	12.0	12.2	11.9	13.3	14.0	13.4

SOURCE: Banco de España.

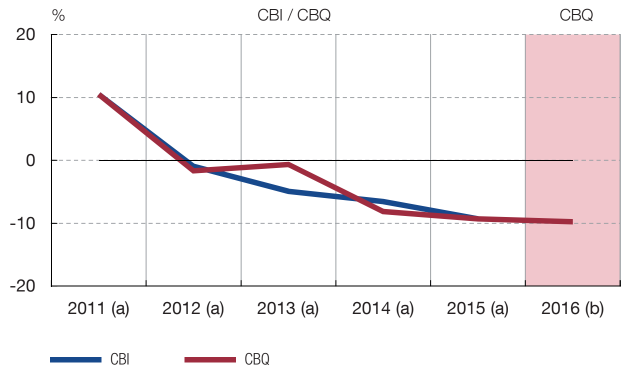
a The 2011, 2012, 2013, 2014 and 2015 data, for the corporations reporting to the CBI, and the average data of the four quarters of each year in relation to the previous year (CBQ).
b Average of the three quarters of 2016 relative to the same period in 2015.

period to September 2016. In the information and communications sector, in 2015 GVA rose for the first time (according to CBI data), by 2.1%, after six years of negative rates of change. The most recent CBQ data for this sector show a continued growth pattern, with increases of 3.4% in the period to September 2016. Lastly, in the group encompassing all other activities, GVA grew by 5.6% in 2015 and 3.4% in the first three quarters of the current year, in both cases on the back of the good performance of transport and other service sector firms.

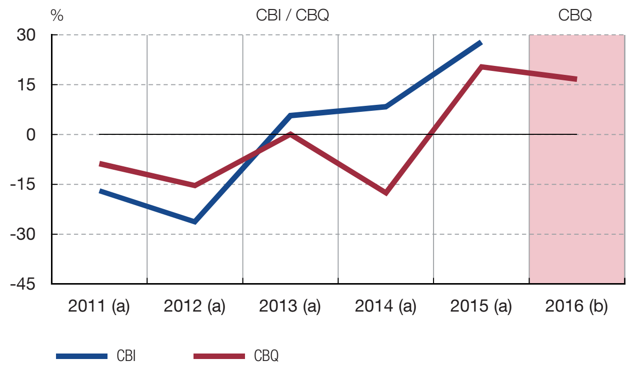
Chart 2 shows a slightly lower degree of dispersion in the distribution of GVA growth (proxied by the distance between the 75th and 25th percentiles) in the first three quarters of 2016 compared with the situation a year earlier. It also shows that the median of the

NON-FINANCIAL CORPORATIONS REPORTING TO THE CENTRAL BALANCE SHEET DATA OFFICE (cont'd) CHART 1

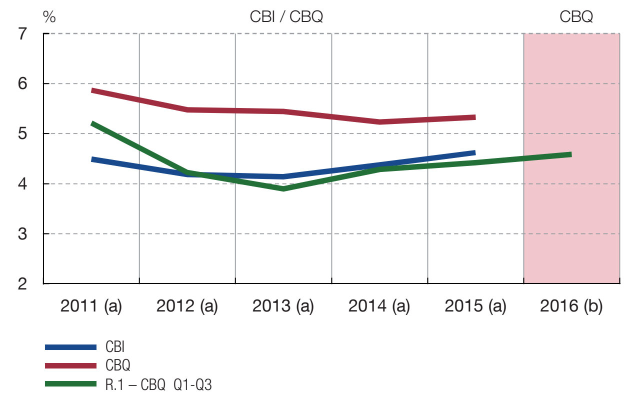
5 FINANCIAL COSTS
Rate of change



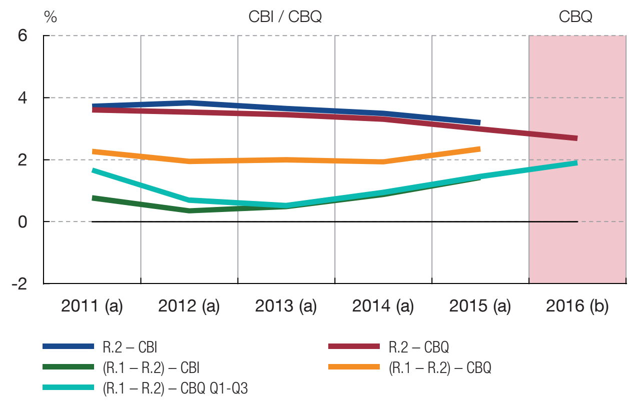
6 ORDINARY NET PROFIT
Rate of change



7 RETURN ON INVESTMENT (R.1)
Ratios



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



Reporting non-financial corporations		2011	2012	2013	2014	2015	2016
Number of corporations	CBI	594,687	629,926	627,102	639,084	317,139	—
	CBQ	820	840	842	888	974	835
% of GVA of the sector non-financial corporations	CBI	44.6	47.5	47.5	47.7	35.5	—
	CBQ	12.0	12.2	11.9	13.3	14.0	13.4

SOURCE: Banco de España.

a The 2011, 2012, 2013, 2014 and 2015 data for the corporations reporting to the CBI and the average data of the four quarters of each year (CBQ). The rates are calculated relative to the previous year.
b 2016 Q3 data. The rates are calculated relative to the same period in 2015.

distribution stood at 3.9%, more than half a percentage point higher than the rate of growth calculated on the basis of the aggregate data for the sample as a whole (3.3%). Furthermore, the median remained virtually stable, unlike the rate of growth, which fell with respect to the previous year. This suggests that the aggregate figure was adversely affected by the less favourable performance of some large corporations.

Employment and personnel costs

According to the CBI, personnel costs rose by 3.2% in 2015 and by 1% in the first three quarters of 2016, according to CBQ data (see Table 2). The increase in these costs is due mainly to the positive trend in employment in both years, during which time average compensation has remained stable or decreased slightly.

VALUE ADDED, EMPLOYEES, PERSONNEL COSTS AND COMPENSATION PER EMPLOYEE. BREAKDOWN BY SIZE AND MAIN ACTIVITY OF CORPORATIONS

TABLE 2

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				Ccompensation per employee			
	CBI	CBQ (a)			CBI	CBQ (a)			CBI	CBQ (a)			CBI	CBQ (a)		
	2015	2015 Q1-Q4	2015 Q1-Q3	2016 Q1-Q3	2015	2015 Q1-Q4	2015 Q1-Q3	2016 Q1-Q3	2015	2015 Q1-Q4	2015 Q1-Q3	2016 Q1-Q3	2015	2015 Q1-Q4	2015 Q1-Q3	2016 Q1-Q3
TOTAL	**6.6**	**6.2**	**4.2**	**3.3**	**3.9**	**1.5**	**1.4**	**1.0**	**3.2**	**2.3**	**2.2**	**1.0**	**-0.7**	**0.7**	**0.7**	**0.0**
SIZE																
Small	7.8	—	—	—	5.7	—	—	—	4.7	—	—	—	-1.0	—	—	—
Medium	6.3	10.6	5.1	6.7	4.2	1.6	1.7	3.2	4.6	3.2	2.6	5.2	0.4	1.6	0.9	2.0
Large	6.3	6.2	4.2	3.2	2.9	1.5	1.4	1.0	2.4	2.3	2.1	1.0	-0.5	0.7	0.7	0.0
BREAKDOWN BY ACTIVITY																
Energy	-0.3	-2.8	-3.2	3.3	-0.1	-0.5	-0.2	0.0	0.1	-1.0	-1.2	-0.6	0.3	-0.5	-1.1	-0.6
Industry	13.1	31.3	23.7	0.3	2.9	1.3	0.9	2.4	2.3	1.8	2.7	3.0	-0.6	0.5	1.8	0.6
Wholesale and retail trade and accommodation & food service activities	7.1	7.1	4.6	6.0	3.9	2.0	1.8	2.4	3.8	2.9	2.4	2.0	-0.1	0.9	0.6	-0.4
Information and communications	2.1	-1.6	-3.2	3.4	5.0	1.6	1.5	-3.3	1.6	3.5	3.3	-2.4	-3.3	1.8	1.8	0.9
Other activities	5.6	3.6	2.7	3.4	4.5	1.7	1.6	0.6	3.9	2.8	2.4	1.2	-0.5	1.0	0.7	0.6

SOURCE: Banco deEspaña.

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

PURCHASES AND TURNOVER OF CORPORATIONS REPORTING DATA ON PURCHASING SOURCES AND SALES DESTINATIONS

TABLE 3

Structure and rate of change, percentages

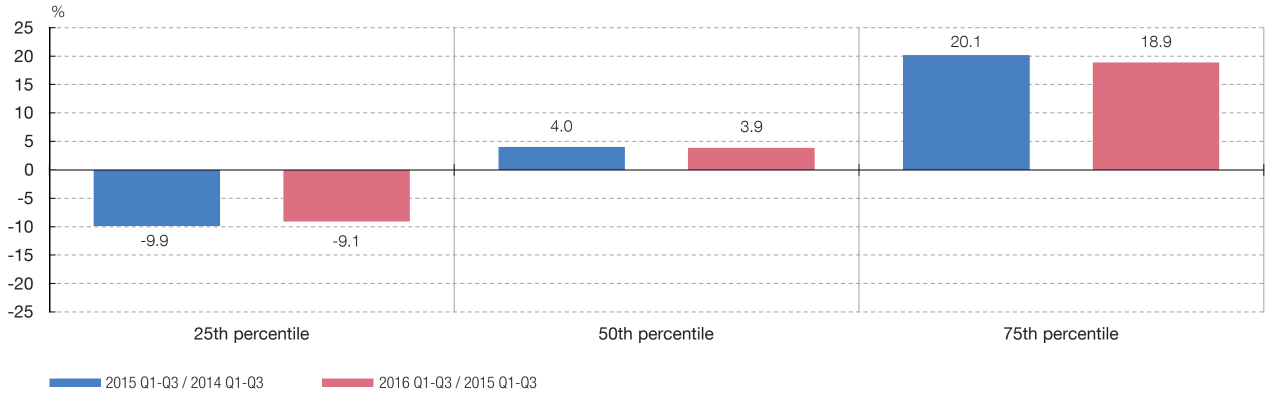
		CBA		CBQ (a)	
		2014	2015	2015 Q1-Q3	2016 Q1-Q3
Total corporations		7,593	7,593	835	835
Corporations reporting source/destination		7,593	7,593	784	784
Percentage of net purchases according to source	Spain	62.6	63.7	72.0	68.6
	Total abroad	37.4	36.3	28.0	31.4
	EU countries	15.2	17.4	20.8	23.0
	Third countries	22.2	18.9	7.2	8.4
Percentage of net turnover according to destination	Spain	77.3	76.1	78.7	77.8
	Total abroad	22.7	23.9	21.3	22.2
	EU countries	13.9	15.3	15.6	16.8
	Third countries	8.8	8.6	5.7	5.4
Change in net external demand (exports less imports), rate of change	Industry	26.2	135.7	-0.1	8.8
	Other corporations	-54.1	67.7	-1.4	—

SOURCE: Banco de España.

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

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

CHART 2



SOURCE: Banco de España.

Average workforce numbers increased for the second consecutive year in 2015, by 3.9%, for the CBI sample of firms (compared with 1.9% in the previous year). For the first three quarters of 2016, the CBQ also evidenced an increase in the average number of workers (of 1%), with somewhat more subdued growth, compared with the 1.4% rise reflected by this survey in the same period of the previous year. This slowdown was affected by job destruction at some of the larger firms.

In line with these developments, the data in Table 4 reveal how in 2015 the percentage of firms creating jobs increased significantly to 42.3% (compared to 27.5% in the previous year), and was also higher than that of firms destroying jobs (28.6%) for the second consecutive year. The most recent information from the quarterly survey referring to 2016 shows a continuation of this positive trend, as the proportion of firms creating jobs continued to grow up to September, to 46.2% (1.8 pp higher than a year earlier), widening the gap with the percentage of firms in which the average workforce numbers declined (38.4% in this case). A more in-depth analysis of each of these groups reveals that companies that created jobs, in comparison with those that maintained or reduced their workforces, were characterised by slower growth in average staff costs, more dynamic productive activity, higher profitability and a sounder financial position (see Box 2).

The recovery of employment, both in 2015 and in the first nine months of 2016, was characterised by being more marked in temporary employment, which grew by 9.5% and 10.3%, respectively (see Table 5). Permanent employment also improved in 2015 and rose by 2.3%, compared with 0.8% a year earlier. The quarterly data, however, show slight declines in permanent jobs in the first three quarters of 2016, owing to the impact associated with workforce reductions at some of the large firms in this sample, which has led to negative growth of 0.8% compared with the 0.2% rise recorded in the previous year.

Sectoral analysis of activity shows that the positive performance of employment was fairly widespread. Thus, average workforces expanded in all the analysed sectors in 2015, except for the energy sector, where there was practically no change. In the other branches of activity, average workforce growth ranged from 2.9% to 5%, in all cases outpacing that of 2014. CBQ data for 2016 reveal slightly higher dispersion, although employment continued to trend upwards in most sectors. Thus, there were increases of 2.4% in the industrial sector and in the wholesale and retail trade, accommodation and food services

PERSONNEL COSTS AND EMPLOYEES
Percentage of corporations in specific situations

TABLE 4

	CBI (a)		CBQ (b)			
	2014	2015	2014 Q1-Q4	2015 Q1-Q4	2015 Q1-Q3	2016 Q1-Q3
Number of corporations	441,839	221,492	888	974	992	835
PERSONNEL COSTS	100	100	100	100	100	100
Falling	41.2	38.8	41.4	35.7	36.8	36.7
Constant or rising	58.8	61.2	58.6	64.3	63.2	63.3
AVERAGE NUMBER OF EMPLOYEES	100	100	100	100	100	100
Falling	22.2	28.6	48.2	38.8	39.6	38.4
Constant	50.3	29.1	14.8	15.6	16.0	15.3
Rising	27.5	42.3	37.0	45.6	44.4	46.2

SOURCE: Banco de España.

a To calculate these percentages, corporations that did not have any staff in 2014 and in 2015 were excluded.
b Weighted average of the relevant quarters for each column.

EMPLOYMENT

TABLE 5

		Total CBQ corporations 2016 Q1-Q3	Corporations increasing (or not changing) staff levels	Corporations reducing staff levels
Number of corporations		835	504	331
NUMBER OF EMPLOYEES				
Initial situation 2015 Q1-Q3 (000s)		876	488	388
Rate 2016 Q1-Q3/2015 Q1-Q3		1.0	5.7	-4.9
Permanent	Initial situation 2015 Q1-Q3 (000s)	733	401	332
	Rate 2016 Q1-Q3/2015 Q1-Q3	-0.8	3.2	-5.6
Non-permanent	Initial situation 2015 Q1-Q3 (000s)	143	87	56
	Rate 2016 Q1-Q3/2015 Q1-Q3	10.3	17.2	-0.4

SOURCE: Banco de España.

sector, and of 0.6% in the group that covers all other activities. In the energy sector workforces remained stable, while the information and communications sector saw decreases of 3.3 %, since it was in this aggregate where the aforementioned workforce reductions were concentrated.

Average compensation fell slightly by 0.7% in 2015 (see Table 2), compared with the 0.5% increase in the previous year. Almost all sectors, except for the energy sector, recorded slightly negative rates, somewhat more marked in the information and communications branch (3.3%). In the first nine months of 2016, these costs in the CBQ showed a practically zero average rate of change. All branches of activity saw moderate even slightly negative, growth in this variable. Average wage increases were somewhat more marked (0.9%) in the information and communications branch, while in the other sectors, the changes ranged from a fall of 0.6% in the energy sector to a 0.6% rise in the industrial sector or the group that covers all other activities.

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)		
	2015	2015 Q1-Q4	2015 Q1-Q3	2016 Q1-Q3	2015	2015 Q1-Q4	2015 Q1-Q3	2016 Q1-Q3	2015	2015 Q1-Q4	2015 Q1-Q3	2016 Q1-Q3	2015	2015 Q1-Q4	2015 Q1-Q3	2016 Q1-Q3
TOTAL	**13.1**	**10.8**	**6.5**	**5.5**	**27.9**	**20.4**	**23.5**	**16.7**	**4.6**	**5.3**	**4.4**	**4.6**	**1.4**	**2.3**	**1.5**	**1.9**
SIZE																
Small	18.7	—	—	—	56.2	—	—	—	2.6	—	—	—	-0.3	—	—	—
Medium	11.0	28.9	10.0	9.5	29.9	44.2	11.6	9.9	6.5	6.1	6.5	6.4	3.2	3.9	4.3	4.7
Large	12.3	10.7	6.5	5.5	24.8	20.3	23.6	16.7	5.2	5.3	4.4	4.6	1.9	2.3	1.4	1.9
BREAKDOWN BY ACTIVITY																
Energy	-0.5	-3.5	-3.9	4.7	6.6	-0.4	0.5	15.5	4.9	4.9	4.2	4.6	1.3	1.7	1.0	1.6
Industry	34.9	104.7	63.6	-2.7	58.1	—	130.3	-3.4	8.4	8.5	8.9	8.7	5.3	6.1	6.5	6.3
Wholesale & retail trade and accommodation & food service activities	15.9	14.4	8.3	12.4	33.9	20.9	14.2	20.9	7.0	12.3	9.1	9.5	3.7	9.4	6.2	7.3
Information and communications	2.6	-4.6	-7.2	7.2	-0.2	-9.3	-15.8	20.5	9.7	16.1	15.1	17.0	6.5	14.0	12.9	15.2
Other activities	10.4	5.3	3.5	7.6	29.8	15.4	129.9	50.6	3.1	3.8	2.9	2.9	0.0	0.8	0.0	0.2

SOURCE: Banco de España.

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

Profit, rates of return and debt

In line with the expansionary pattern of productive activity, gross operating profit (GOP) also grew in 2015, by 13.1%, compared with the 3.9% increase of the previous year The most recent CBQ data shows that this surplus continued to grow in the first three quarters of 2016, albeit at a lesser pace, increasing by 5.5% year-on-year, down 1 pp with respect to the same period of the previous year. It should be noted that growth of this surplus was positively influenced by the exceptional performance of the oil refining sub-sector.

As with GVA, the growth of GOP in 2016 was fairly widespread across sectors, except in industry, where this surplus decreased by 2.7%, affected by the poor performance of the oil refining and the manufacture of mineral and metal products sub-sectors. In the other sectors, GOP grew significantly, at rates ranging between 4.7% in the energy branch and 12.4% in the wholesale and retail trade and accommodation and food service branch (see Table 6).

Financial revenue fell by 6% in 2015, as a result of the contraction (8.2%) in dividends received. In the CBQ, financial revenue rose by 6.9% in the period to September 2016, strongly influenced by the higher dividends received, which rose by 12.7%, while interest receipts fell by 6.1%.

Financial costs were down in both 2015 (by 9.3%) and the first nine months of 2016 (by 9.8%). The decline in this item was due mainly to the lower average cost of debt borne by firms in the two periods (see Table 7). The performance of interest-bearing debt also contributed to the fall in these costs, although it had a more limited impact.

In line with the performance of GOP, ONP grew markedly both in 2015 (27.9%) and, to a lesser degree, in the first three quarters of 2016 (16.7%). However, the unfavourable course

FINANCIAL COSTS
Percentages

TABLE 7

	CBI	CBQ	
	2015 / 2014	2015 Q1-Q4 / 2014 Q1-Q3	2016 Q1-Q3 / 2015 Q1-Q3
Change in financial costs	-9.3	-9.3	-9.8
A Interest on borrowed funds	-8.9	-9.7	-8.6
1 Due to the cost (interest rate)	-8.7	-9.3	-7.6
2 Due to the amount of interest-bearing debt	-0.2	-0.4	-1.0
B Other financial costs	-0.4	0.4	-1.2

SOURCE: Banco de España.

STRUCTURE OF REPORTING CORPORATIONS' RETURN ON INVESTMENT AND ORDINARY RETURN ON EQUITY

TABLE 8

		CBQ			
		Return on investment (R.1)		Ordinary return on equity (R.3)	
		2015 Q1-Q3	2016 Q1-Q3	2015 Q1-Q3	2016 Q1-Q3
Number of corporations		992	835	992	835
Percentage of corporations by profitability bracket	R <= 0%	25.2	23.4	29.8	27.9
	0% < R <= 5%	25.7	26.1	17.1	16.9
	5% < R <= 10%	14.9	15.7	10.9	12.7
	10% < R <= 15%	9.1	9.7	8.4	8.6
	15% < R	25.1	25.0	33.8	33.9
Memorandum item: Average return		4.7	5.1	6.4	7.0

SOURCE: Banco de España.

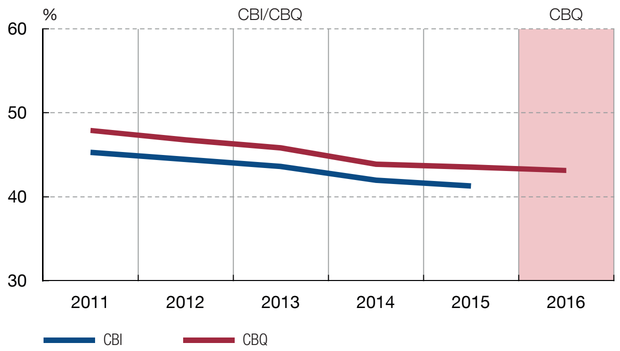
of extraordinary costs and revenue in 2015 led to a fall of 17.8% in net profit in 2015. Specifically, this period saw a significant decline in gains on financial asset sales, and a sizeable increase in valuation adjustments for impairment of the value of such assets. In the first nine months of 2016, some of the firms in the CBQ sample recorded substantial gains on sale transactions and impairment loss reversals, in both cases associated with financial assets, boosting final surplus growth. However, the increase in this revenue in 2016 was offset, despite the lower tax rates, by a substantially higher corporate income tax expense that was largely linked to the decrease recorded the previous year, when this item included high revenue from tax credits available for offset. As a result, profit for the year grew by 12.9% from January to September 2016. Expressed as a percentage of GVA, this surplus stood at 10.6% in 2015 (compared with 12.1% the previous year), while for the CBQ sample so far in 2016, it climbed by 3 pp to stand at 29.6%.

In line with the notable growth of ordinary profit, the profitability ratios recovered gradually. In 2015, the return on investments and the return on equity grew by 0.2 pp and 0.6 pp, respectively. In the first three quarters of 2016, the return on investment stood at 4.6% for the CBQ sample as a whole, as compared with 4.4% in the same period in 2015, and the return on equity grew by 0.4 pp to 6%. The improvement in corporate returns in 2016 becomes more evident when observing the data in Table 8, which shows the distribution

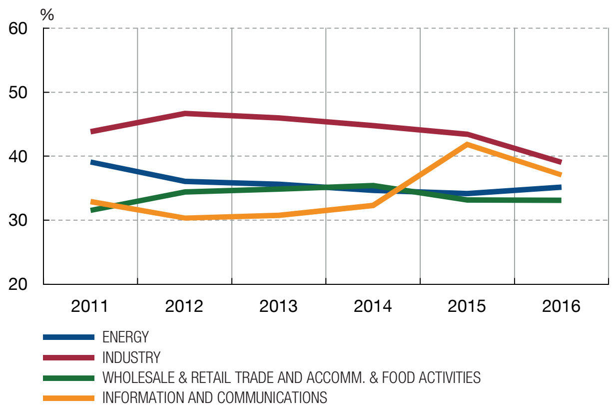
FINANCIAL POSITION RATIOS

CHART 3

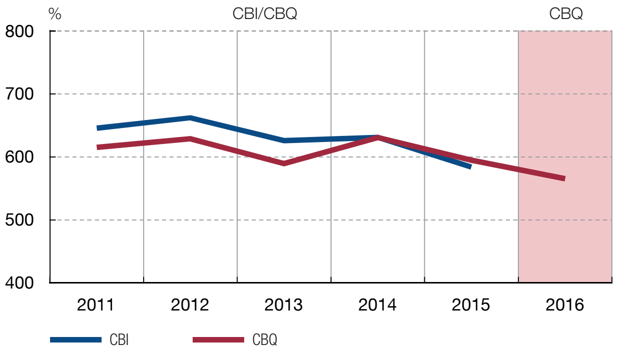
1 E1. INTEREST-BEARING BORROWING / NET ASSETS (a)
TOTAL CORPORATIONS
Ratios



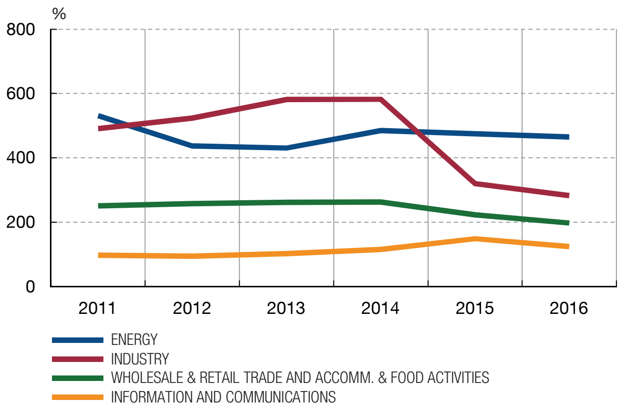
2 E1. INTEREST-BEARING BORROWING / NET ASSETS (a)
BREAKDOWN BY SECTOR. CBQ
Ratios



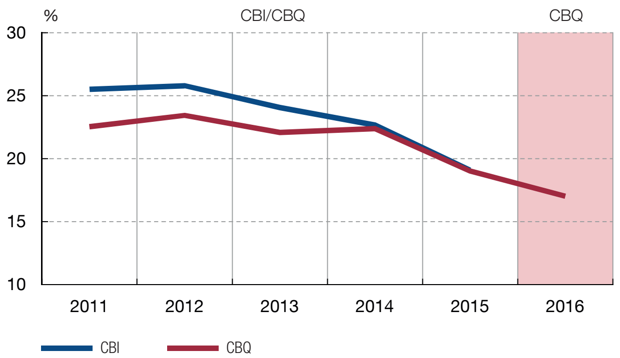
3 E2. INTEREST-BEARING BORROWING / (GOP + FR) (b)
TOTAL CORPORATIONS
Ratios



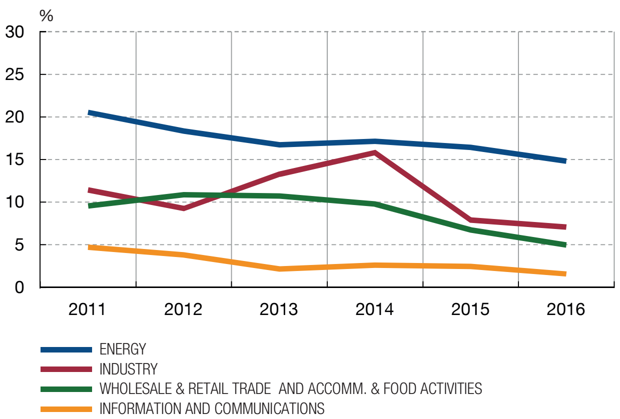
4 E2. INTEREST-BEARING BORROWING/ (GOP + FR) (b)
BREAKDOWN BY SECTOR. CBQ



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



6 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).

of the sample firms by profitability bracket. This data shows a decrease in the percentage of corporations with negative rates of return in the first three quarters of 2016. The table also shows that median returns increased more sharply than the aggregate ratios, with the return on investment increasing from 4.7% to 5.1% and the return on equity by 0.6 pp to 7%. This suggests that the aggregate rate of return data were adversely affected in 2016 by the less favourable performance of some large corporations.

The breakdown by sector of activity reveals that rates of return in 2015 were similar to or higher than their levels in the previous year in all sectors. The most recent data, for the the first nine months of 2016, also reveal a positive trend in all sectors, with the exception of industry, which was the only branch of activity to post slightly lower figures than in 2015 (see Table 6). Notably, the information and communications branch saw the sharpest increase in this indicator, of almost 2 pp, to 17%.

The average cost of borrowing fell by 0.3 pp in 2015 to 3.2% and this trend continued in 2016, with this indicator also decreasing by 0.3 pp to 2.7% in CBQ firms, compared with the same period a year earlier. The course of the return on investment, together with the fall in the cost of debt, translated into a continued widening of the gap between the two ratios in the two periods under review, which in the most recent period stood at 1.9%, an increase of 0.4 pp with respect to the previous year. By branch of activity, there was a notable improvements in information and communications and wholesale and retail trade, accommodation and food services, where the gap widened by more than 1 pp to 15.2 pp and 7.3 pp, respectively, in the first three quarters of 2016. In the other sectors the figures for this period were similar or somewhat higher than those obtained in the same period a year earlier

Lastly, the E1 debt ratio (which is calculated as the ratio of interest-bearing debt to net assets) fell in both 2015 and from January to September 2016, with a decline of 0.4 pp to 43.1% (see Chart 3) according to CBQ data. By sector, so far in 2016 the industry and information and communications sectors showed a declining course, whereas energy and wholesale and retail trade, accommodation and food services grew moderately. Both the E2 ratio (defined as the ratio of interest-bearing debt to the sum of GOP and financial revenue) and the interest burden ratio fell in both periods, since in addition to the declines in debt and in financial costs there was an increase in the surpluses which constitute the denominator of these ratios. In both cases, the breakdown by sector shows a widespread decline, albeit of varying intensity. On the whole, the performance of the three indicators reveals that the financial pressure borne by firms has gradually decreased in the last two years.

14.11.2016.

This box examines trends in the activity and performance of SMEs in 2015 (the most recent year for which data are available)[1] based on the Integrated Central Balance Sheet Data Office Survey (CBI), which includes data on just over 300,000 SMEs.[2] Gross value added (GVA) of the SMEs in the sample grew for the second consecutive year in 2015. At a rate of 7.6%, this growth outpaced that of 2014 by just over two points (see Chart 1). Moreover, as in 2014, SMEs' GVA growth outperformed the aggregate for large firms, whose growth rose to 6.3%. The sectoral information shows the increase to be stronger than last year and to be almost universal, with SMEs' GVA rising across the board

1 According to the criterion used by the Central Balance Sheet Data Office, in line with European Commission Recommendation 2003/361/EC, businesses with up to 250 employees and an asset value and net turnover under set ceilings (currently €50 million and €43 million, respectively) are classed as SMEs. Moreover, independently from the size criteria, companies owned by public bodies or business groups that exceed these thresholds are not considered SMEs.

2 The information for the 2015 financial year is considered preliminary, and further data have yet to be incorporated in both the CBA and CBB, such that the final number of businesses will be around 600,000.

PERFORMANCE OF SPANISH SMEs

Chart 1
GROSS VALUE ADDED AT FACTOR COST
Rate of change

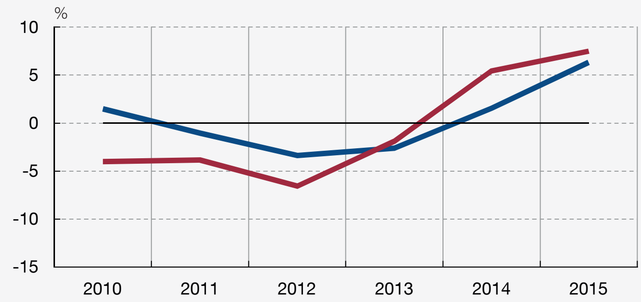


Chart 2
EMPLOYMENT
Rate of change

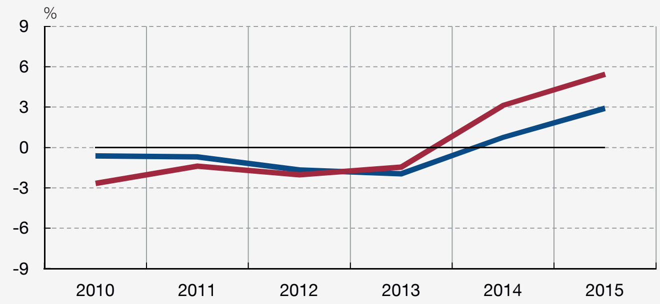


Chart 3
ORDINARY NET EARNINGS

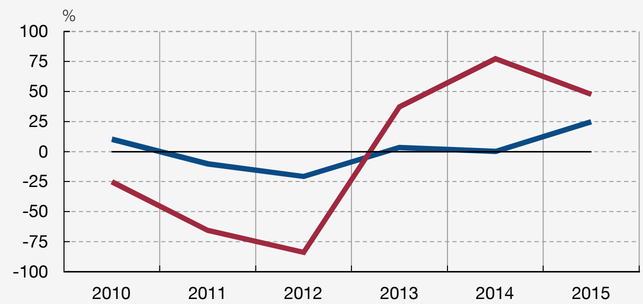
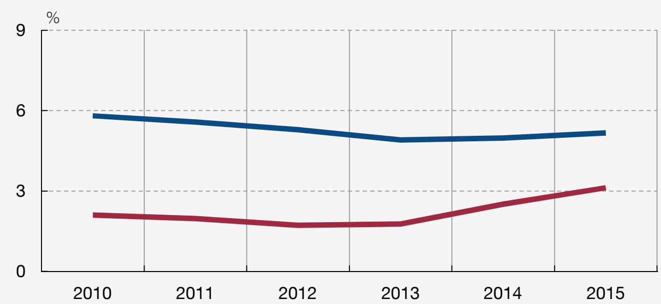


Chart 4
NET ORDINARY RETURNS ON ASSETS



LARGE FIRMS SMEs

		2010	2011	2012	2013	2014	2015
Number of companies	Large firms (a)	13,208	16,057	20,165	22,881	25,546	11,856
	SMEs	547,419	578,630	609,761	604,221	613,538	305,283
Non-financial corporations	Large firms (a)	26.8	27.8	30.6	31.8	32.3	26.8
	SMEs	16.1	17.1	17.3	16.2	15.7	8.7

SOURCE: Banco de España.

a In line with European Commission Recommendation 2003/361/EC, this segment includes companies belonging to public bodies and large groups.

and in almost all sectors. The progress seen in manufacturing industry, commerce and construction stands out (with increases in GVA of 7.4%, 7.3% and 10.6%, respectively), which helped explain more than half the increase in this surplus in the SME segment.

SMEs' personnel costs grew by 4.8% compared with 2.9% the previous year. This item's sharper increase in 2015 was primarily due to stronger job creation by SMEs. Thus, workforces grew by 5.5% compared with 3.2% in 2014, against the background of a slight drop in average wages (0.7%). In line what has been observed in the case of productive activity, employment growth among SMEs exceeded that of large firms (2.9%)(see Chart 2). The breakdown by contract type reveals strongest employment growth among temporary staff (10.3%), although there was significant progress in permanent employment, which rose by 4.2% (compared with 1.8% in 2014). The sector breakdown reveals widespread staff increases, outpacing employment growth in 2014 in almost all cases. As with GVA, manufacturing industry, wholesale and retail trade and construction accounted for the largest share of the sample of SMEs' employment growth, posting increases of 5.2%, 4.7% and 7.7%, respectively.

The financial costs of SMEs in the sample dropped by 9.8% in 2015, compared with a 7% drop the previous year. This continued the downward trend in financial costs seen in recent years, which is a consequence both of companies' deleveraging and the lower average cost of borrowing, which fell by 0.3 pp to 3.1%. This trend, and the recovery in operating profit, led to these companies' ordinary net profit growing again for the third consecutive year. At 47.7% this growth was rapid, but fell short of the previous year's rate of 77.3%, however (see Chart 3). This translated into a recovery in the return on investment, which reached 3.4%, 0.7 pp higher than in 2014. However, it remained approximately two points lower than that of large firms (see Chart 4). The breakdown by sector shows a widespread increase in levels of profitability. Higher returns on assets and the slight drop in financial costs improved the differential between the two ratios substantially, taking it into positive territory (0.3 pp) for the first time in this company segment since 2007.

In short, according to the available CBI data, SMEs' activity continued to improve in 2015, perpetuating the upturn in their ordinary surpluses and employment. Moreover, for the third consecutive year SMEs' performance was more positive than that of larger companies. This has all translated into a significant increase in profitability levels, which, together with falling financial costs, has allowed the differential between the two ratios to increase once again, such that it is back in positive territory for the first time since 2007.

The recovery in Spanish companies' productive activity in recent years has also been reflected in job creation. This is apparent in both the aggregate information on average workforces and other complementary indicators calculated based on company-scale data. In this context, this box aims to study the differences between companies that expanded, maintained or cut their workforce, based on a series of economic and financial variables. This exercise is primarily based on the Integrated Central Balance Sheet Data

Chart 1
PERCENTAGES OF COMPANIES ACCORDING TO CHANGE IN AVERAGE WORKFORCE SIZE

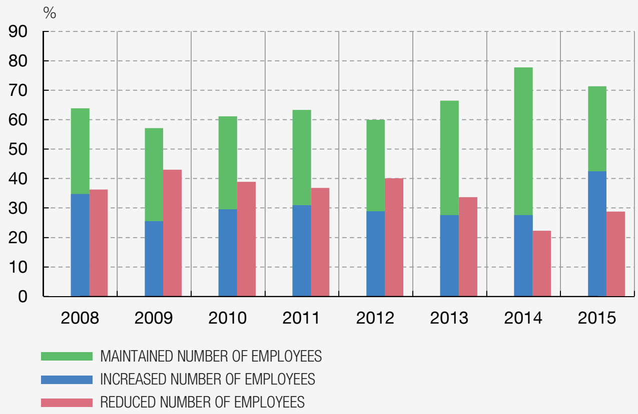


Chart 2
DIFFERENCE BETWEEN PERCENTAGE OF COMPANIES CREATING EMPLOYMENT AND THOSE REDUCING EMPLOYMENT. SECTORAL BREAKDOWN

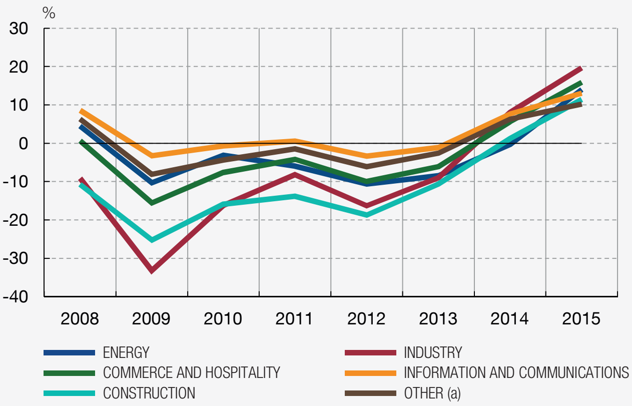


Chart 3
AVERAGE REMUNERATION. RATE OF CHANGE

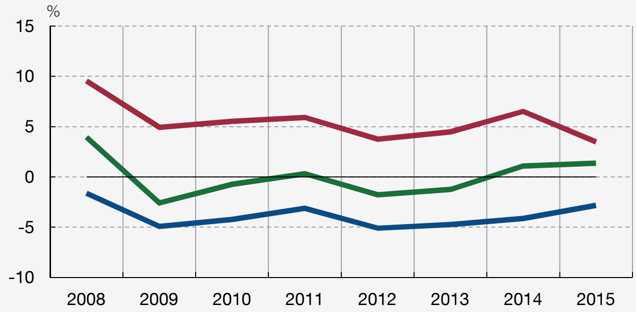


Chart 4
GROSS VALUE ADDED AT FACTOR COST. RATE OF CHANGE

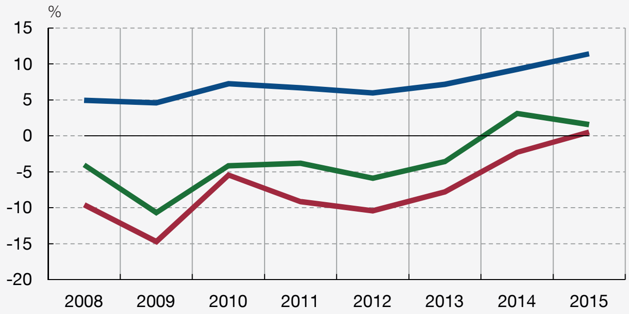


Chart 5
MEDIAN RETURN ON NET ASSETS (b)

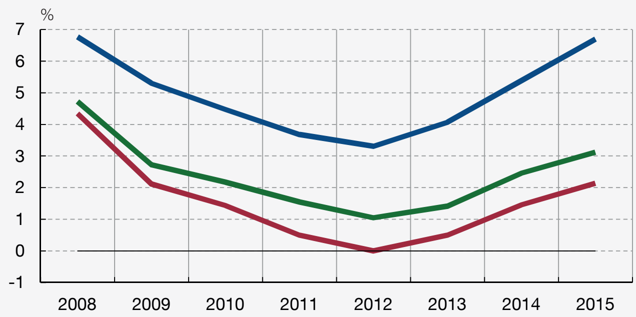
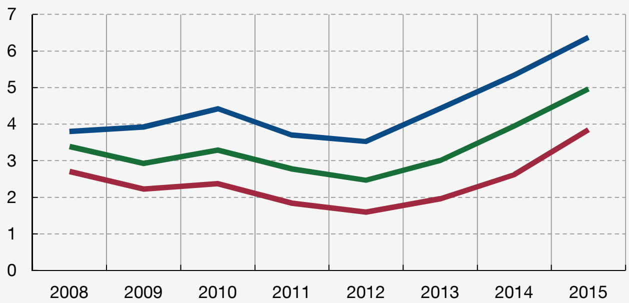


Chart 6
MEDIAN INTEREST COVERAGE RATIO (c)



INCREASED NUMBER OF EMPLOYEES REDUCED NUMBER OF EMPLOYEES MAINTAINED NUMBER OF EMPLOYEES

SOURCE: Banco de España.

a Excludes holdings and companies with zero employees in two consecutive periods.
b (Ordinary net profit + Financial costs) / Net assets (carrying amount).
c (Gross operating profit + Financial revenue) / Financial costs.

Office Survey (CBI) sample, which is more complete, but for which information is only available up to 2015. For this reason the most recent analysis is based on the Central Balance Sheet Data Office Quarterly Survey (CBQ).

Chart 1 shows how, since 2012, the gap between the percentage of companies creating jobs and those destroying them progressively widened. This indicator turned positive in 2014 for the first time since 2007. The most recent data for the CBI sample, which refer to the 2015 financial year, situated this gap at 13.7 pp. The sector by sector analysis (see Chart 2) shows that this positive trend was across the board, affecting all branches of activity without exception. The indicator analysed was in the range of 10.2% to 19.7% in 2015. The CBQ quarterly sample, comprising more recent data, but with fewer companies and an over-representation of larger companies, suggests this pattern has continued so far in 2016, as the proportion of companies with an expanding workforce in this sample continued to grow, exceeding those that shed jobs.

Charts 3 to 6 show the trends in a number of economic and financial indicators for various groups of companies grouped together according to changes in the average number of employees. Thus, average remuneration per worker in the set of companies creating jobs was characterised by a slight contraction over the analysis period, in contrast with a slight increase in remuneration among companies that shed jobs and the relative stability of remuneration in companies with no change in their workforce (see Chart 3). Although this result may reflect the positive impact of wage restraint on job creation, it may also be affected by the difference in the average wage levels of workers leaving and joining companies.

The analysis of activity, measured based on how gross value added at factor cost has progressed, also shows differences in how the three groups of companies analysed have performed (see Chart 4). In companies that expanded their workforce, GVA grew throughout the period, even when the recent crisis was at its most severe, to reach a rate of 11.4% in 2015. In the other two aggregates, however, it either contracted or remained below the first group's growth rate. Nevertheless, information from the past three years reveals a slowing of the contractionary trend in GVA, both among companies whose workforces have remained stable and those that have made job cuts, such that the trend has turned positive in all cases.

Moreover, companies that increased their average number of employees were more also, on average, more profitable (see Chart 5). The difference between the median values of this indicator in the latter group compared with companies that maintained or reduced their workforces has widened even since 2008. Thus, while companies creating employment returned to 2008's median levels of profitability in 2015 (6.7%), those in which employment remained stable went from 4.7% to 3.1% over the period, and the profitability of companies reducing their average number of workers fell from 4.3% to 2.1%, despite the clear recovery observed in the last three years.

Similarly, companies creating jobs tended to be in a more favourable financial situation, measured in terms of the interest coverage ratio (which is calculated by dividing operating income by financial costs). As Chart 6 shows, the typical or representative company among those expanding their workforces (approximated by the median) was characterised by its having a higher interest coverage ratio (between 3 and 7) than companies in segments in those in which employment remained stable (between 2 and 5) or in which there were job losses (between 1 and 4).

In short, the information from the Balance Sheet Data Office reveals that during the recent economic recovery there has been a progressive widening of the difference between companies that are creating jobs and those that are shedding them. In 2015 this difference was positive at 13.7 pp. The most recent information from the Central Balance Sheet Data Office Quarterly Survey, referring to 2016, shows a continuation of these positive trends. Additionally, companies that expanded their workforces during this period were characterised by slower growth in average staff costs and more dynamic activity in comparison with those whose workforces remained stable or contracted. They were also more profitable on average and had a sounder financial situation.