RESULTS OF NON-FINANCIAL CORPORATIONS IN 2011 Q1

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Overview[1]

The information compiled by the Central Balance Sheet Data Office Quarterly Survey (CBQ) for 2011 Q1 reveals that the sample corporations commenced the year with a moderate increase in their productive activity which resulted in an increase in GVA of 1.1% in year-on-year terms. This growth of GVA is lower than in the same period of 2010 (4.3%) and in 2010 as a whole (3.4%), but is higher than in 2010 Q4 (-0.2%). Activity in 2011 was underpinned by stronger exports which particularly favoured certain sectors, such as the industrial sector, in which sales abroad have a higher relative weight and whose GVA rose 17.9%. By contrast, against a background of weak private consumption, in branches where activity is centred more on business in Spain, GVA performed less favourably (contracting by 4.1% in the case of wholesale and retail trade activities).

There was virtually zero growth in personnel costs in the first three months of 2011 (0.1%), compared with a decrease of nearly 1 pp in the same period of 2010. The stability of these costs in 2011 Q1 is a consequence of the fall of 1.1% in employment, which was practically offset by growth in average compensation to a similar extent. This pace of decline in staffing numbers is less sharp than a year earlier, when the average number of employees decreased by 2.1%. By contract type, the decline centred mainly on the temporary employment segment which contracted strongly (by 9.5%), while permanent employment did not vary significantly (0.1%). Average compensation rose by 1.2%, the same rate as in 2010 Q1, albeit slightly higher than that in 2010 as a whole (0.8%).

Gross operating profit (GOP) also grew moderately during 2011 Q1, posting a year-on-year rate of change of 2.1%, which is considerably lower than the increase it recorded in the same period of 2010 (9.3%). Financial revenue and, to a lesser degree, financial costs rose as a result of the increase in interest rates. The higher increase in financial revenue (32.1%) compared with that of financial costs (9.4%) was underpinned by the rise in dividends, mainly from foreign subsidiaries. Since financial revenue performed more buoyantly than financial costs, ordinary net profit (ONP) climbed by 8.4%, which is higher than the rise in GOP but slightly lower than that in ONP a year earlier (9.7%). Growth in ordinary profit was sufficient for profit ratios to hold at similar levels to those recorded in the first three months of 2010. For instance, return on investment (ROI) stood at 4.5% in 2011 Q1, the same as in 2010 Q1. An analysis of this variable by sector, shows that it had a mixed performance: while it posted increases in energy and industry, as reflected by the rise in their ordinary surpluses, it declined in the wholesale and retail trade and in information and communication, which is in keeping with the negative developments in the activity of these productive branches. Also, the financial cost of borrowed funds increased slightly in 2011 Q1, with respect to its level a year earlier, to 3.4%. Thus, the difference between ROI and financial costs remained positive (1.1%), albeit 0.1 pp below the figure for 2010 Q1.

1 This article is based on the quarterly information sent by the 705 corporations reporting to the Central Balance Sheet Data Office. The GVA generated by this aggregate accounts for 13.7% of the total GVA of non-financial corporations.

Lastly, an analysis of extraordinary gains (losses) during 2011 Q1 underlines that there were no important extraordinary transactions during the period studied. Thus, the account including gains (losses) from disposals and impairment dropped by 75.8% in this period, while the account including changes in fair value and other gains (losses) represented a notably smaller share of GVA, amounting to only -0.6% (in absolute terms). Also, the amount relating to corporate income tax decreased slightly (by 2.6%), since the bulk of profit for the quarter arose from dividends which are not taxed to avoid double taxation. As a result of all the foregoing, net profit grew by 9.6%.

In short, the activity of non-financial corporations experienced moderate growth in 2011 Q1, largely supported by highly robust exports in this period, against a backdrop of notably weak domestic demand. This increase was, nevertheless, lower than that recorded in the same period of 2010, and continued to be insufficient to reverse the negative trend in employment which continued to fall, although slightly less sharply than in 2010. Also, financial costs rose owing to the higher interest rates borne by corporations, although that was amply offset by more buoyant financial revenue due especially to the higher dividends received essentially from foreign subsidiaries. As a result of the foregoing, corporations generated sufficient surpluses to maintain similar profitability levels to those of a year earlier.

Activity

During 2011 Q1, the productive activity of non-financial corporations reporting to the Central Balance Sheet Data Office experienced moderate year-on-year growth of 1.1% in terms of GVA (see Table 1 and Chart 1). This rise is lower than in the same period a year earlier (4.3%) and than in 2010, as a whole, (3.4%) but it is higher than that seen in the preceding quarter (-0.2%). The factor which contributed most to the increase in activity during the early months of 2011 was exports which grew 22%, while domestic sales, dampened by weak private consumption, merely increased by 3.7%. Consequently, the weight of exports in total sales rose from 11.5% in 2010 Q1 to 13.4% in 2011 (see Table 2).

The sectoral breakdown shows a high degree of heterogeneity (see Table 3). For instance, industrial firms posted an increase in GVA of 17.9%, holding on the highly robust path initiated a year earlier, and which led them to post growth of 18.5% for this heading for 2010 as a whole (for more details, see the analysis of the industrial sector in Box 1). These positive developments are mainly explained by the favourable performance of exports and its influence on certain industrial sub-sectors such as the manufacture of transport equipment and the manufacture of mineral and metal products, which posted respective growth rates for GVA of 44.7% and 25.8%. This variable also rose significantly at energy companies (7.1%), boosted by the strong expansion in the oil refining sub-sector (45.3%), against a backdrop of an upward trend in oil prices and the gradual feed-through to the selling prices of refined petroleum products (see Chart 2). In the utilities sub-sector GVA rose to a lesser degree (4.1%), although by more than the aggregate figure for the CBQ sample. By contrast the activity of firms in the branch of wholesale and retail trade and accommodation and food services activities contracted in a setting of slack private consumption, which led them to record a negative rate of change in GVA (-4.1%) in 2011 Q1, although this rate was affected by the fact that Easter fell this year in April. GVA declined even more sharply in the information and communication sector (by 6.3% compared with 4.4% twelve months earlier). The reasons which explain these negative developments are the unfavourable course of demand and the contraction of margins, which in a period of strong competition such as the present one, is affecting firms in the telecommunications sub-sector. Lastly, there

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

	CBA STRUCTURE	CBA			CBQ	
DATABASES	2009	2008	2009	10 Q1-Q4/ 09 Q1-Q4 (a)	10 Q1/ 09 Q1	11 Q1/ 10 Q1
Number of corporations		9,583	9,217	792	835	705
Total national coverage		31.4%	28.7%	13.1%	14.8%	13.7%
PROFIT AND LOSS ACCOUNT:						
1 VALUE OF OUTPUT (including subsidies)	100.0	-0.1	-13.3	8.1	9.5	10.9
Of which:						
Net amount of turnover and other operating income	*147.4*	*1.3*	*-13.7*	*9.5*	*11.0*	*11.2*
2 INPUTS (including taxes)	65.1	1.2	-16.1	10.7	12.6	16.1
Of which:						
Net purchases	*89.5*	*0.8*	*-19.2*	*14.7*	*18.9*	*24.9*
Other operating costs	*22.7*	*2.2*	*-6.7*	*9.0*	*6.3*	*1.6*
S.1 GROSS VALUE ADDED AT FACTOR COST [1 – 2]	34.9	-2.7	-7.6	3.4	4.3	1.1
3 Personnel costs	20.9	3.9	-3.4	-1.2	-0.9	0.1
S.2 GROSS OPERATING PROFIT [S.1 – 3]	14.0	-10.2	-13.3	7.8	9.3	2.1
4 Financial revenue	5.2	6.8	-17.3	-6.3	-26.0	32.1
5 Financial costs	4.4	13.8	-29.5	5.8	-12.4	9.4
6 Net depreciation, impairment and operating provisions	6.4	7.5	-5.1	4.8	3.2	2.3
S.3 ORDINARY NET PROFIT [S.2 + 4 – 5 – 6]	8.4	-21.4	-11.2	2.0	9.7	8.4
7 Gains (losses) from disposals and impairment (b)	1.8	-	-	-	5.5	-75.8
7' As a percentage of GVA (7 / S.1)		-6.8	5.1	-0.1	4.9	1.3
8 Changes in fair value and other gains (losses) (b)	-1.8	-	-3.8	55.9	27.7	86.6
8' As a percentage of GVA (8 / S.1)		-4.3	-5.1	-3.5	-3.9	-0.6
9 Corporate income tax	0.9	-66.4	49.4	38.2	44.6	-2.6
S.4 NET PROFIT [S.3 + 7 + 8 – 9]	7.5	-56.7	56.0	-4.4	9.7	9.6
S. 4' As a percentage of GVA (S.4 / S.1)		12.5	21.5	25.3	21.9	23.7
PROFIT RATIOS	Formulas (c)					
R.1 Return on investment (before taxes)	(S.3 + 5.1) / NA	7.6	6.2	6.1	4.5	4.5
R.2 Interest on borrowed funds/ interest-bearing borrowing	5.1 / IBB	5.1	3.5	3.4	3.2	3.4
R.3 Ordinary return on equity (before taxes)	S.3 / E	9.9	8.7	8.6	5.6	5.4
R.4 ROI – cost of debt (R.1 – R.2)	R.1 – R.2	2.5	2.7	2.8	1.2	1.1

SOURCE: Banco de España.

a All the data in this column have been calculated as the weighted average of the quarterly data.
b New P&L headings resulting from application of the new General Chart of Accounts (PGC 2007).
c 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).
NB: In calculating rates, internal accounting movements have been edited out of items 4, 5, 7 and 8.

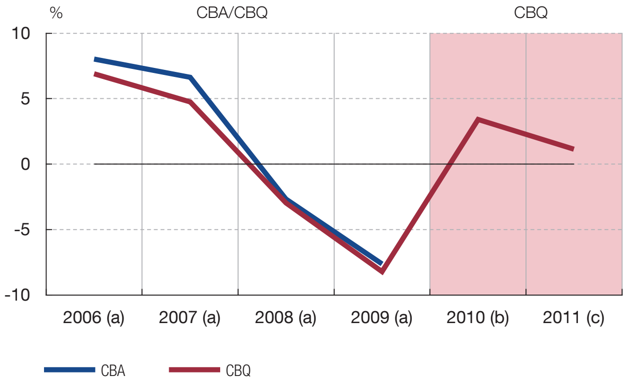
was a slight reduction of GVA (0.9%) in the other activities aggregate, compared with an increase of 2.9% a year earlier.

Finally, the distribution of firms based on the increase in GVA in Chart 3 shows that during 2011 Q1 most companies (52.5%) recorded positive growth in this variable, which is somewhat higher than in the same period of the previous year (52.1%). Also, there is a slight shift towards the central part of the distribution which includes firms with more moderate variations in activity, to the detriment of firms with more extreme increases and decreases (of above 20%).

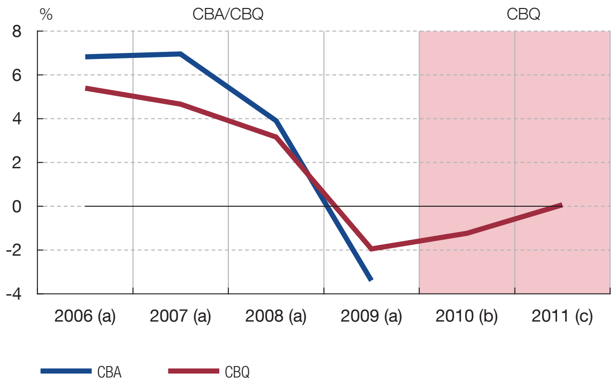
NON-FINANCIAL CORPORATIONS REPORTING TO THE CENTRAL BALANCE SHEET DATA OFFICE

CHART 1

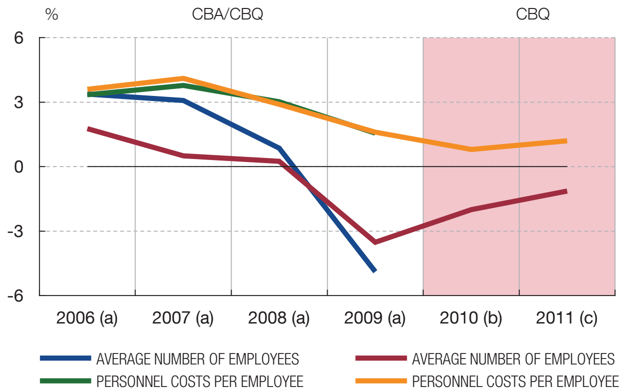
GROSS VALUE ADDED AT FACTOR COST
Rate of change



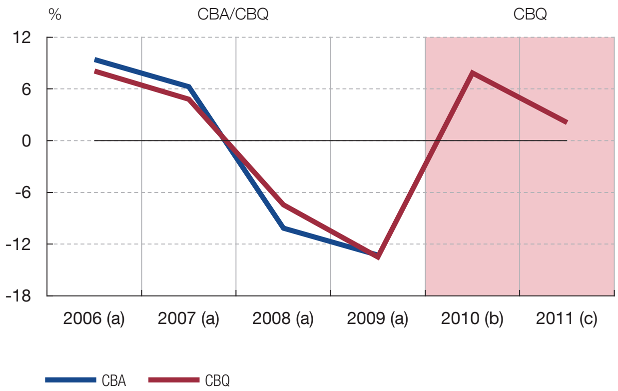
PERSONNEL COSTS
Rate of change



EMPLOYMENT AND WAGES
Rate of change



GROSS OPERATING PROFIT
Rate of change



REPORTING NON-FINANCIAL CORPORATIONS		2006	2007	2008	2009	2010	2011
Number of corporations	CBA	9,276	9,321	9,583	9,217	—	—
	CBQ	830	849	816	805	792	705
% of GDP of the sector non-financial corporations	CBA	33.5	33.9	31.4	28.7	—	—
	CBQ	14.6	14.3	13.1	12.8	13.1	13.7

SOURCE: Banco de España.

a 2006, 2007, 2008 and 2009 data drawn from corporations reporting to the annual survey (CBA) and average data of the four quarters of each year in relation to the previous year (CBQ).
b Average of the four quarters of 2010 relative to the same period in 2009.
c Data of 2011 Q1 relative to the same period in 2010.

Employment and personnel costs

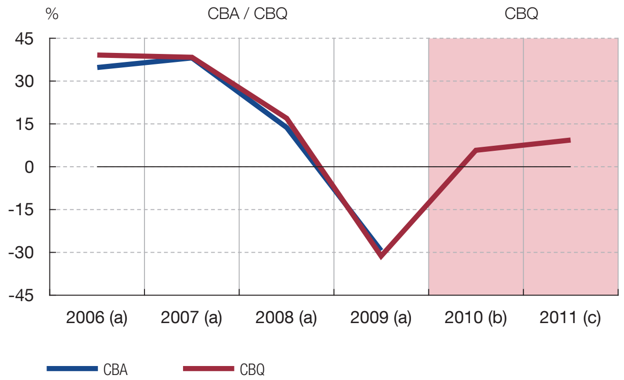
The personnel costs of reporting firms were practically flat during 2011 Q1 (0.1%), as against the decline of 0.9% in the same period of the preceding year. The changes in this item in the early months of this year were due to the decline of 1.1% in employment for this period being offset by similar growth in average compensation.

According to the employment data for 2011 Q1 there was a fresh decline of 1.1% in the average labour force (see Table 3), representing a continuation of the widespread adjustments at firms under way since 2009. However, the information for this quarter reveals a trend of slight improvement compared with the same period of the previous year and with 2010 as a whole, when the fall in the average number of employees was

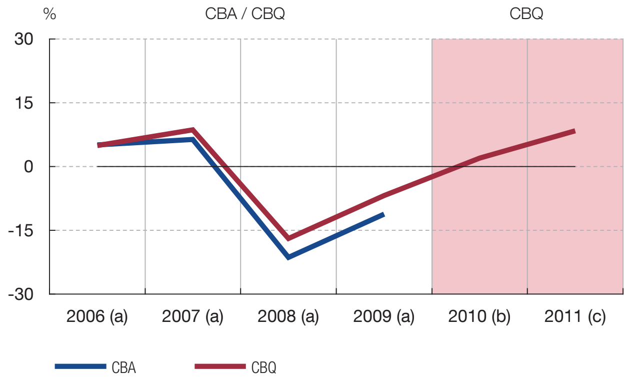
NON-FINANCIAL CORPORATIONS REPORTING TO THE CENTRAL BALANCE SHEET DATA OFFICE (cont'd)

CHART 1

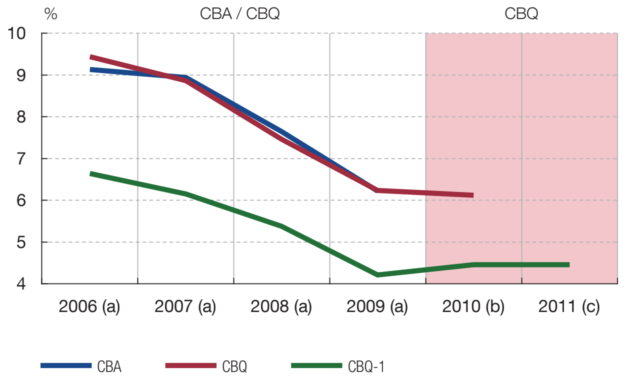
FINANCIAL COSTS
Rate of change



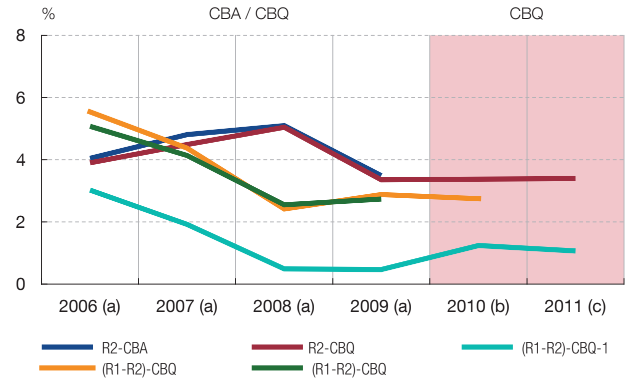
ORDINARY NET PROFIT
Rate of change



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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	CBQ	14.6	14.3	13.1	12.8	13.1	13.7

SOURCE: Banco de España.

a 2006, 2007, 2008 and 2009 data drawn from corporations reporting to the annual survey (CBA) and average data of the four quarters of each year in relation to the previous year (CBQ).
b Average of the four quarters of 2010 relative to the same period in 2009.
c Data of 2011 Q1 relative to the same period in 2010.

considerably higher at around 2%. The breakdown by contract type shows that the reduction of staff numbers continued to centre on temporary employment which decreased by 9.5%, while permanent employment remained stable (with a rate of change of 0.1%). As for the sectoral breakdown, the wholesale and retail trade and accommodation and food services activities sector was the only one to post a net rise in staff numbers (of 1.6%), while the other aggregates showed almost zero rates of change or declines. Most notable among all the sectors was the other activities sector (which includes construction and real estate companies, among others) since it recorded the sharpest fall in this variable (3.5%), which was even more pronounced than that posted a year earlier (2.6%). Although there was no net job creation once again in the energy,

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

TABLE 2

		CBA	CBQ		
		2009	10 Q1-Q4 (a)	10 Q1	11 Q1
Total corporations		9,217	792	705	705
Corporations reporting source/destination		9,217	751	675	675
Percentage of net purchases according to source	Spain	68.2	84.4	82.4	82.0
	Total abroad	31.8	15.6	17.6	18.0
	EU countries	17.0	10.4	13.4	13.5
	Third countries	14.8	5.2	4.1	4.5
Percentage of net turnover according to destination	Spain	85.1	90.5	88.5	86.6
	Total abroad	14.9	9.5	11.5	13.4
	EU countries	10.1	6.5	8.5	9.8
	Third countries	4.7	3.0	3.0	3.6
Change in net external demand (exports less imports), rate of change	Industry	21.5	-10.0	-57.9	78.8
	Other corporations	39.6	89.3	69.6	49.5

SOURCE: Banco de España.

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

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

TABLE 3

	GROSS VALUE ADDED AT FACTOR COST				EMPLOYEES (AVERAGE FOR PERIOD)				PERSONNEL COSTS				COMPENSATION PER EMPLOYEE			
	CBA	CBQ			CBA	CBQ			CBA	CBQ			CBA	CBQ		
	2009	10 Q1-Q4 (a)	10 Q1	11 Q1	2009	10 Q1-Q4 (a)	10 Q1	11 Q1	2009	10 Q1-Q4 (a)	10 Q1	11 Q1	2009	10 Q1-Q4 (a)	10 Q1	11 Q1
TOTAL	**-7.6**	**3.4**	**4.3**	**1.1**	**-4.9**	**-2.0**	**-2.1**	**-1.1**	**-3.4**	**-1.2**	**-0.9**	**0.1**	**1.6**	**0.8**	**1.2**	**1.2**
SIZE:																
Small	-11.2	—	—	—	-7.1	—	—	—	-6.1	—	—	—	1.0	—	—	—
Medium	-8.6	5.0	2.5	9.2	-5.6	-3.0	-3.7	-0.5	-4.2	-1.2	-2.6	0.8	1.5	1.9	1.2	1.3
Large	-7.4	3.4	4.4	0.9	-4.7	-2.0	-2.0	-1.2	-3.2	-1.2	-0.8	0.0	1.6	0.7	1.2	1.2
BREAKDOWN BY ACTIVITY:																
Energy	-6.0	8.6	10.1	7.1	-1.8	-2.1	-1.9	-1.4	0.9	-0.4	0.3	1.8	2.8	1.7	2.2	3.2
Industry	-15.8	18.5	7.3	17.9	-6.8	-2.7	-4.0	-0.6	-6.7	-1.1	-2.6	3.2	0.2	1.7	1.4	3.8
Wholesale & retail trade & accommodation & food service activities	-6.5	3.1	8.6	-4.1	-5.2	-0.8	-3.4	1.6	-4.3	0.2	-1.4	2.9	1.0	1.0	2.0	1.2
Information and communication	-4.3	-5.3	-4.4	-6.3	-2.4	-1.8	-2.7	0.0	-0.3	0.8	-0.4	2.8	2.2	2.6	2.4	2.8
Other activities	-4.7	1.8	2.9	-0.9	-4.6	-2.6	-0.4	-3.5	-2.6	-2.7	-0.5	-3.9	2.1	-0.1	0.0	-0.4

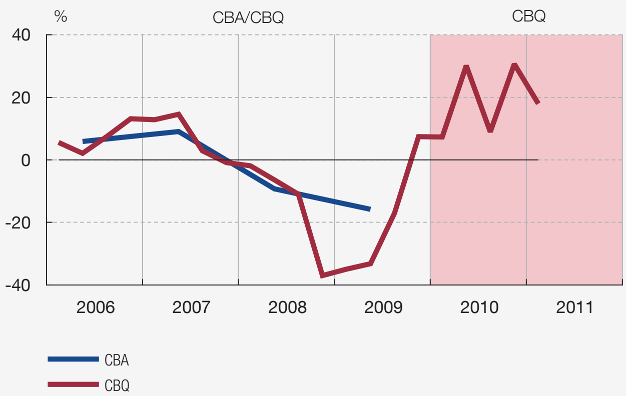
SOURCE: Banco de España.

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

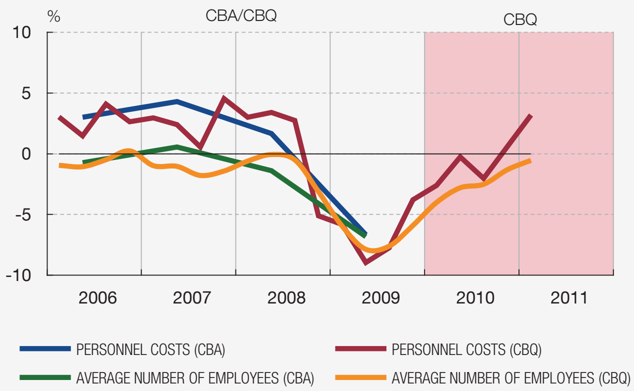
The information collected by the Central Balance Sheet Data Office for the first quarter of 2011 shows that the productive activity of the sample firms in the industrial sector recorded notable growth. The GVA of these firms grew by 17.9%, a much higher rate than in the same period of the previous year (7.3%), continuing the pattern of notable growth in recent quarters, as a result of which the GVA of the industrial sector increased by 18.5% in 2010 as a whole. Growth in 2011 Q1 was strongly influenced by the buoyancy of exports, which had an especially strong impact in certain sub-sectors, such as transport equipment and mineral and metal products, which grew by 44.7% and 25.8%, respectively. By contrast, computers and food, beverages and tobacco saw contractions of activity, of 11.2% and 1%, respectively.

PERFORMANCE OF THE INDUSTRIAL CORPORATIONS REPORTING TO THE CBSO

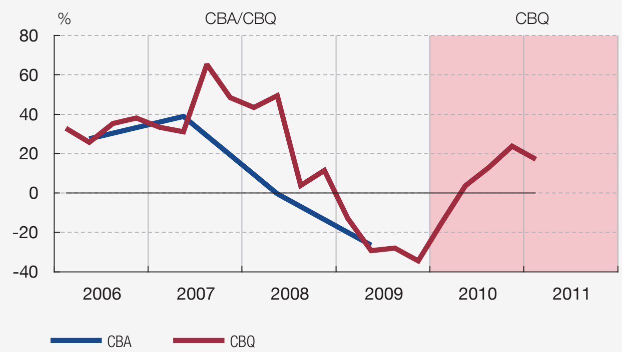
GROSS VALUE ADDED AT FACTOR COST
Rate of change



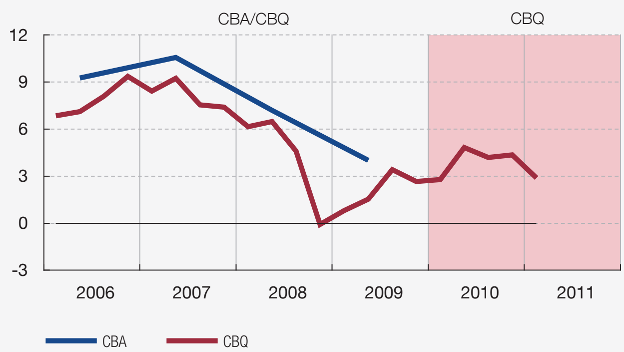
EMPLOYMENT AND WAGES
Rate of change



FINANCIAL COSTS
Rate of change



RETURN ON INVESTMENT
Ratios



REPORTING INDUSTRIAL CORPORATIONS		2006				2007				2008				2009				2010				2011			
Number of corporations	CBA	2397				2376				2411				2271				—				—			
	CBQ	313	298	286	277	307	297	283	278	281	270	257	246	245	241	237	227	232	227	215	187	181	—	—	—
% of GDP of the sub-sector industrial corporations	CBA	30.7				34.1				29.6				23.8				—				—			
	CBQ	18.4	17.4	16.2	17.3	19.3	19.5	16.6	17.0	16.3	16.1	12.6	8.9	10.8	11.1	11.9	10.6	11.7	13.1	10.6	9.9	11.0	—	—	—

SOURCE: Banco de España.

Personnel costs grew by 3.2%, in contrast to the decline of 2.6% recorded a year earlier. This was mainly due to the rise in average compensation, which grew by 3.8% in Q1, a much higher rate than in 2010 (1.4%). Employment, meanwhile, continued to post negative growth rates (-0.6%), although they were more moderate than those a year earlier (-4%).

The expansion of activity was passed through to profits. Both GOP and ONP increased, allowing the levels of profitability in this sector to increase slightly in comparison with the same period of the previous year. The ratio that measures the return on assets stood at 2.9% in 2011 Q1, 0.1 pp above the level recorded a year earlier. However, the ratio that measures the cost of debt increased to a greater extent (by 0.3 pp, to stand at 4%), so that the difference between these two ratios became more negative (-1.1%).

In short, the industrial sector's GVA grew at a high rate in 2011 Q1, underpinned by the improvement in foreign activity, which meant that the greater buoyancy was not uniformly reflected across all the industrial sub-sectors. The expansion of industrial activity was passed through to all the income statement surpluses, slightly improving the levels of profitability, but did not translate into increases in employment in this sector.

industry and information and communications sectors (the rate of change was zero in the information and communications sector, while the respective rates in energy and industry were -1.4% and -0.6%), the rate of decline eased in comparison with 2010 Q1. Lastly, the information in Table 4 confirms that during the first three months of 2011 job destruction continued to afflict most firms (52.1%), although to a lesser degree than in the previous year (58.9%).

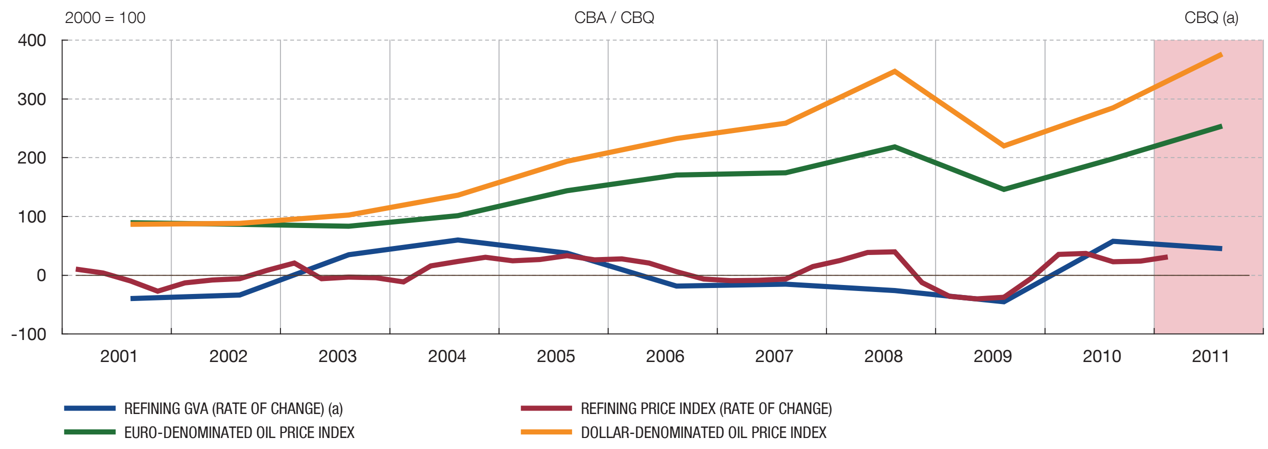
Average compensation increased by 1.2% in the first three months of 2011, an identical rate to that posted a year ago, although it was slightly higher than the figure of 0.8% recorded for 2010 as a whole. Average salaries were contained in a context of slight inflationary pressure, with the consequent risk of pass-through to salaries if indexation clauses are triggered, which could result in coming quarters in a rise in the rate of increase in the average cost per employee. In fact, the sectoral breakdown underlines that in certain branches these costs have quickened during 2011 Q1. For instance, in energy and industry, average compensation grew by 3.2% and 3.8%, respectively, which was higher in both cases than the increases recorded in the same period of the previous year (2.2% and 1.4%, respectively). A similar trend, albeit less pronounced, can be seen in the information and communication sector which stepped up the rate of increase from 2.4% in 2010 Q1 to 2.8% a year later. Finally, at wholesale and retail firms and firms included in other activities, average compensation was less expansive, with average growth of 1.2% and -0.4%, respectively. The information in Table 5 analyses separately the performance of firms which have not changed or have increased their average labour force and that of firms which have destroyed employment. The wage costs per employee grew more moderately in the first group (0.6%) than in the second one (2.7%).

Profits, rates of return and debt

The slight growth in activity in 2011 Q1, together with the practically zero change in personnel costs prompted a moderate rise in GOP (2.1%), which was notably lower than its growth rate of 9.3% in the same period of 2010. Also, financial costs continued to move on a rising path, initiated the previous year, and posted an increase of 9.4%. In any event, the ratio that measures the interest burden (see Chart 4) remained stable during the early months of this year since the growth of its denominator (gross operating profit plus financial revenue) offset the rise in the interest expense (the numerator of the aforementioned ratio).

IMPACT OF OIL PRICES ON THE REFINING SECTOR

CHART 2

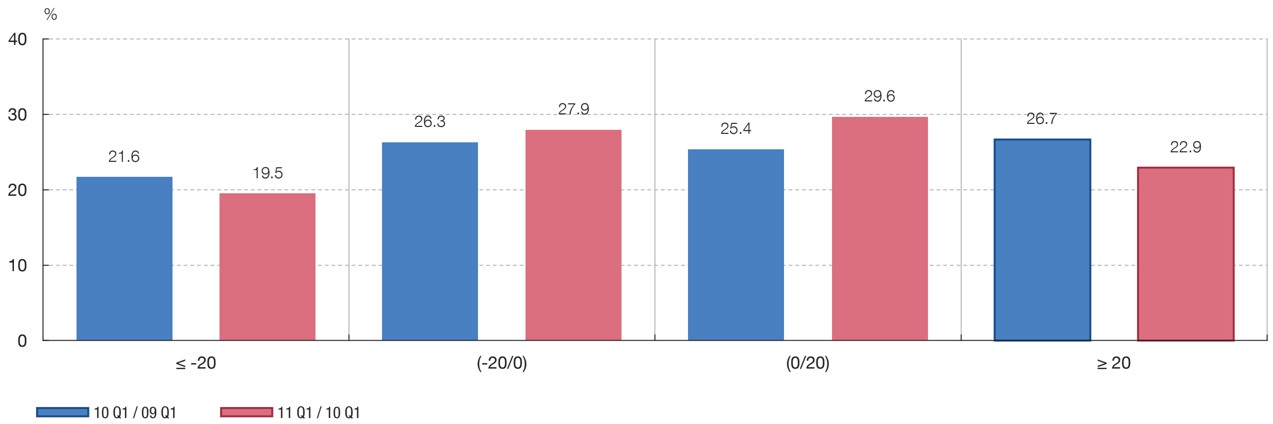


SOURCES: Banco de España and Ministerio de Industria, Turismo y Comercio (Informe mensual de precios).

a 2011 data relate to the CBQ.

DISTRIBUTION OF CORPORATIONS BY RATE OF CHANGE IN GROSS VALUE ADDED AT FACTOR COST

CHART 3



SOURCE: Banco de España.

The factors accounting for the increase in the interest expense can be analysed in the following table:

	11 Q1 / 10 Q1
Change in financial costs	**+9.4%**
A. Interest on borrowed funds	*+10.4%*
1 Due to the cost (interest rate)	+8.7%
2 Due to the amount of interest-bearing debt	+1.7%
B. Other financial costs	**-1.0 %**

As can be seen, practically all the growth in financial costs was due to the increase in interest rates which since the previous year has been gradually feeding through to corporations costs’ and which has progressively raised the average cost of debt to 3.4% in 2011 Q1.

PERSONNEL COSTS, EMPLOYEES AND AVERAGE COMPENSATION PER EMPLOYEE
Percentage of corporations in specific situations

TABLE 4

	CBA		CBQ			
	2008	2009	09 Q1 - Q4 (a)	10 Q1 - Q4 (a)	10 Q1	11 Q1
Number of corporations	9,583	9,217	805	792	835	705
PERSONNEL COSTS	100	100	100	100	100	100
Falling	32.1	57.2	57.4	50.1	54.1	49.0
Constant or rising	67.9	42.8	42.6	49.9	45.9	51.0
AVERAGE NUMBER OF EMPLOYEES	100	100	100	100	100	100
Falling	42.0	54.2	62.7	56.1	58.9	52.1
Constant or rising	58.0	45.8	37.3	43.9	41.1	47.9

SOURCE: Banco de España.

a Weighted average of the relevant quarters for each column.

EMPLOYMENT AND PERSONNEL COSTS
Details based on changes in staff levels

TABLE 5

		TOTAL CBQ CORPORATIONS 2011 Q1	CORPORATIONS INCREASING (OR NOT CHANGING) STAFF LEVELS	CORPORATIONS REDUCING STAFF LEVELS
Number of corporations		705	362	343
PERSONNEL COSTS:				
Initial situation 10 Q1 (€m)		7,495.1	3,730.4	3,764.7
Rate 11 Q1 / 10 Q1		0.1	4.4	-4.3
AVERAGE COMPENSATION:				
Initial situation 10 Q1 (€)		11,212.0	10,542.0	11,965.6
Rate 11 Q1 / 10 Q1		1.2	0.6	2.7
NUMBER OF EMPLOYEES:				
Initial situation 10 Q1 (000s)		668	354	315
Rate 11 Q1 / 10 Q1		-1.1	3.9	-6.7
Permanent	Initial situation 10 Q1 (000s)	581	310	270
	Rate 11 Q1 / 10 Q1	0.1	3.1	-3.2
Non-permanent	Initial situation 10 Q1 (000s)	88	44	44
	Rate 11 Q1 / 10 Q1	-9.5	9.5	-28.4

SOURCE: Banco de España.

The change due to the amount of debt had very little influence on the changes in financial costs, since firms hardly increased net recourse to borrowed funds (the balance increased by 1.7%), which is consistent with the sluggish investment of these firms which seems to have decreased during this period by 10.4%. Against this background of moderate rises in liabilities, the E1 and E2 debt ratios performed very stably and even moved slightly downwards in the early months of this year (see Chart 4).

Financial revenue rose strongly by 32.1%, owing to the increase in interest received and especially to higher dividends mainly from foreign subsidiaries. That triggered a year-on-year rise in ONP of 8.4% in 2011 Q1, a slightly lower rate than that posted a year earlier, when this surplus had increased by 9.7%. As a result of the growth in ordinary profit, profitability levels, for the sample as a whole, held at very similar levels to those in the same

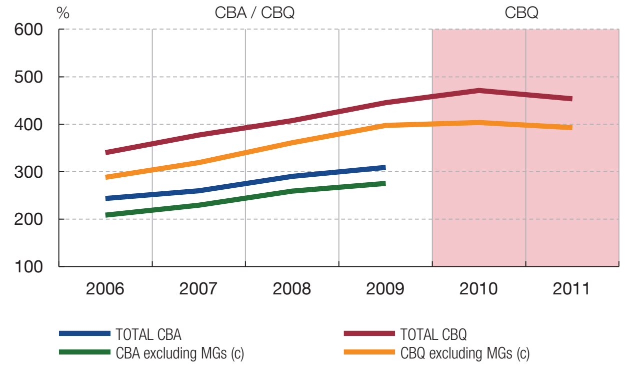
DEBT RATIOS

CHART 4

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

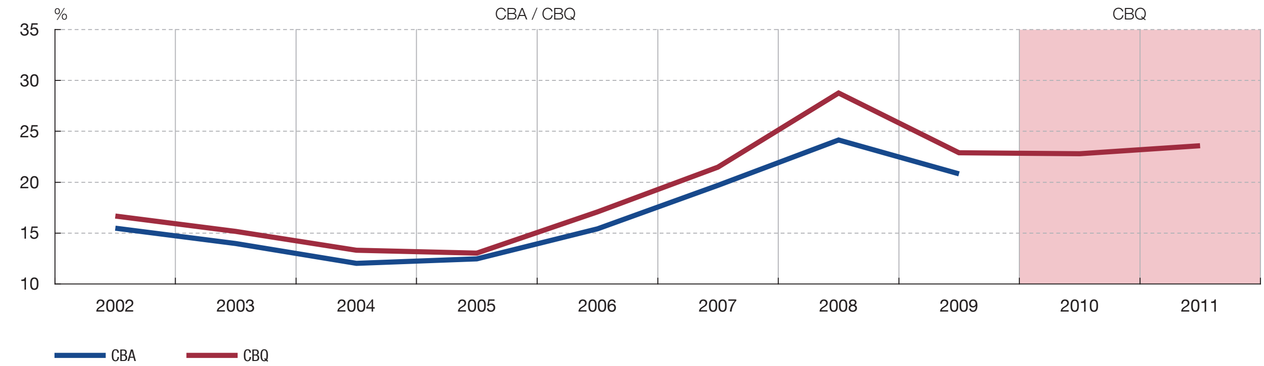
	2006	2007	2008	2009	2010	2011
CBA	47.1	47.4	48.2	47.4		
CBQ	49.0	49.5	48.8	48.7	48.6	47.5

E2. INTEREST-BEARING BORROWING / GVA (b)
Ratios



	2006	2007	2008	2009	2010	2011
CBA	243.8	259.9	289.8	309.0		
CBQ	339.9	377.0	407.7	445.3	470.9	453.4
CBA excl. MGs	208.6	229.2	258.8	275.4		
CBQ excl. MGs	287.8	318.8	361.2	397.7	403.4	393.0

INTEREST BURDEN
(Interest on borrowed funds) / (GOP + financial revenue)



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
CBA	15.5	14.0	12.0	12.5	15.4	19.7	24.1	20.8		
CBQ	16.7	15.2	13.3	13.0	17.1	21.5	28.8	22.9	22.8	23.6

SOURCE: Banco de España.

a Ratio calculated from final balance sheet figures. Net assets include an adjustment to current prices.
b Ratio calculated from final balance sheet figures. Interest-bearing borrowing includes an adjustment to eliminate intragroup debt (approximation of consolidated debt).
c MGs: sample corporations belonging to the main reporting multinational groups. These do not include the large construction sector companies.

period of 2010. Thus, ROI (R.1) stood at 4.5%, exactly the same as a year earlier, while return on equity (R.2) was 5.4%, only 0.2 pp lower than the figure of 5.6% obtained in 2010 Q1. In any event, as discussed in more detail in Box 2, it is useful to complement this analysis of the aggregate data with the statistical distributions of this variable. Accordingly, Table 6 shows the distribution of firms by profitability level. A shift can be seen towards segments with higher values for this indicator. Thus, while in 2010 Q1 39.9% of the firms recorded ROI of more than 5%, the percentage of firms in this situation climbed in

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

TABLE 6

		CBQ			
		Return on investment (R.1)		Ordinary return on equity (R.3)	
		10 Q1	11 Q1	10 Q1	11 Q1
Number of corporations		835	705	835	705
Percentage of corporations by profitability bracket	R <= 0	33.5	29.5	37.6	31.6
	0 < R <= 5	26.6	24.1	18.6	17.4
	5 < R <= 10	13.4	17.3	10.9	12.5
	10 < R <= 15	6.7	7.2	6.9	9.2
	15 < R	19.8	21.8	26.0	29.2
MEMORANDUM ITEM: Average return		4.5	4.5	5.6	5.4

SOURCE: Banco de España.

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

TABLE 7

	GROSS OPERATING PROFIT				ORDINARY NET PROFIT				RETURN ON INVESTMENT (R.1)				ROI-COST OF DEBT (R.1-R.2)			
	CBA	CBQ			CBA	CBQ			CBA	CBQ			CBA	CBQ		
	2009	10 Q1-Q4 (a)	10 Q1	11 Q1	2009	10 Q1-Q4 (a)	10 Q1	11 Q1	2009	10 Q1-Q4 (a)	10 Q1	11 Q1	2009	10 Q1-Q4 (a)	10 Q1	11 Q1
TOTAL	**-13.3**	**7.8**	**9.3**	**2.1**	**-11.2**	**2.0**	**9.7**	**8.4**	**6.2**	**6.1**	**4.5**	**4.5**	**2.7**	**2.8**	**1.2**	**1.1**
SIZE:																
Small	-23.5	—	—	—	-41.8	—	—	—	3.3	—	—	—	0.2	—	—	—
Medium	-16.1	15.7	12.4	22.6	-21.6	36.0	33.9	41.2	4.6	5.9	4.4	6.4	1.4	2.8	1.7	3.7
Large	-12.8	7.6	9.3	1.6	-10.0	1.3	9.2	7.5	6.3	6.1	4.5	4.4	2.8	2.8	1.2	1.0
BREAKDOWN OF ACTIVITIES BEST REPRESENTED IN THE SAMPLE:																
Energy	-9.2	11.3	12.9	8.4	-9.9	-3.6	13.4	4.6	7.0	6.3	5.1	5.6	3.4	3.1	1.9	2.3
Industry	-29.6	75.4	35.7	55.2	-50.2	-	18.9	-	4.0	4.6	2.8	2.9	0.4	0.6	-0.9	-1.1
Wholesale & retail trade and accommodation & food service activities	-10.4	8.7	25.5	-13.1	-2.7	16.4	49.0	-9.5	7.1	5.7	8.7	7.9	3.6	2.3	5.6	3.8
Information and communication	-6.5	-7.3	-5.8	-10.0	-13.4	-10.8	-7.8	-16.3	20.4	27.4	26.2	22.8	15.6	22.6	21.6	17.5
Other activities	-10.4	12.7	12.1	6.4	34.8	13.4	-20.0	-	5.2	4.9	2.5	2.5	1.9	0.6	-0.6	-0.7

SOURCE: Banco de España.

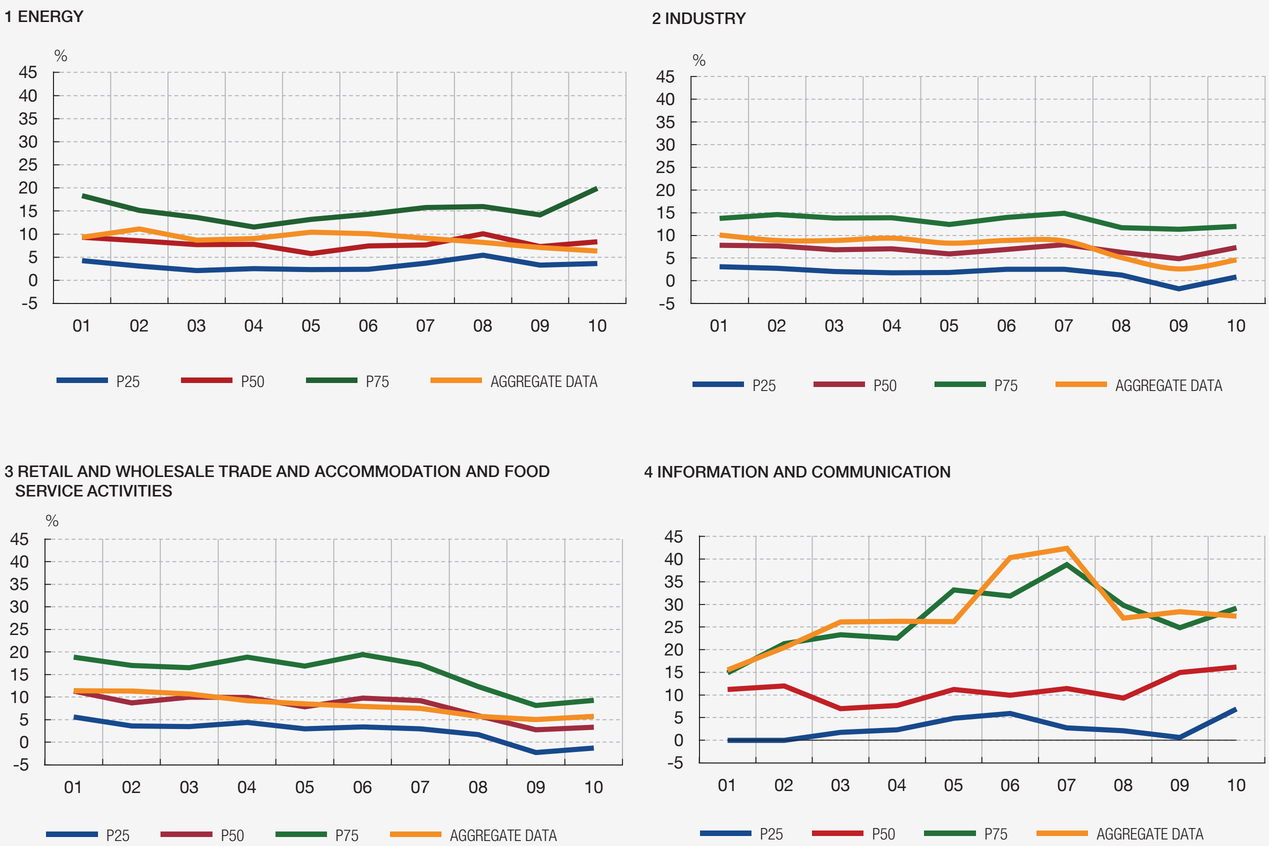
a All the data in these columns have been calculated as the weighted average of the quarterly data.

the first three months of 2011 to 46.4%. The breakdown of the performance of this variable by productive branch shows some heterogeneity, which is in line with the divergent performance of activity (see Table 7). For instance, in energy and industry ROI increased whereas in information and communications the opposite trend was seen. Finally, ROI less cost of debt held at positive values, albeit slightly lower than those of the same period of the previous year (1.1% in 2011 compared with 1.2% in 2010).

The Central Balance Sheet Data Office is an important source of information on the non-financial corporations sector. A large part of the analysis in the regular articles on the results of the reporting firms is based on the aggregate sample data, with a breakdown by activity. This approximation is useful for studying the main trends, but it does not allow the heterogeneity within each group of companies to be observed. Consequently, the use of microdata to supplement the conclusions deriving from the aggregate indicators could be of great interest. In particular, with this type of information the statistical distributions for the variables of interest can be extracted. These distributions cover both the behaviour of the typical or median firm (50th percentile), and that of firms in extreme positions (upper and lower percentiles). They make it possible to analyse aspects such as the degree of dispersion (approximated by the distance between the highest and lowest deciles), or the course of those companies that display a less favourable performance (captured by one end of the distribution), which may be relevant to identify possible situations of vulnerability.

The usefulness of microdata can be illustrated with an analysis of the statistical distribution of the return on investment, one of the main ratios characterising the economic and financial situation of a firm. The adjoining panels show the 25th, 50th and 75th percentiles for this indicator for the four sectors best represented in the CBQ (energy, industry, retail and wholesale trade and accommodation and food service activities, and information and communication), along with the aggregate data, for the period 2001-10. In 2008 and 2009 a fall in profitability can be seen almost right across the board in all these sectors, followed by a recovery in 2010, although generally without reaching pre-crisis levels. Within this common pattern there was however some special behaviour. Thus, during the most acute stage of the crisis (2009), one can see how in industry and in retail and wholesale trade and accommodation and food service activities the firms in the lowest part of the distribution (25th percentile) actually recorded negative returns. In 2010, the industrial companies in this decile managed to post positive returns again, but the firms of this decile in the retail and wholesale trade and accommodation and

RETURN ON ASSETS: DISTRIBUTION PERCENTILES AND AGGREGATE DATA (a)



SOURCE: Banco de España.

a P25, P50 and P75 represent the 25th, 50th and 75th percentiles of the distribution.

food service activities did not. One can also see that in the sector information and communication the firms in the upper part of the distribution are highly sensitive to the business cycle (they tend to display more pronounced improvements during upturns and larger falls in downturns). By contrast, energy utilities seem to have been comparatively unaffected by the crisis (falls in profitability are only observed in 2009 and these were very moderate), while the most profitable among them (75th percentile) saw a robust recovery in 2010.

The dispersion of the return on investment is especially high in the sector information and communication, which suggests that the companies in this sector are more heterogeneous. By contrast, in industry and in retail and wholesale trade and accommodation and food service activities the firms display more homogeneous levels of profitability. Moreover, within the latter group, rates of return can be seen to have converged somewhat in recent years.

Finally, the aggregate indicators are generally close to the median of the distribution, except in the case of the information and communication sector, in which the ratio analysed is in the upper part, which suggests that the larger firms in this group tend to have the highest levels of profitability, affecting the data for the sector as a whole.

In conclusion, the analysis in this box shows the value added of studying disaggregated data characterising the profitability of firms. It supplements the results obtained from the aggregate data, and allows the identification, where applicable, of possible elements of vulnerability in certain groups of firms or sectors of activity.

Lastly, an analysis of extraordinary gains (losses) underlines that during 2011 Q1 there were no significant extraordinary transactions and their relative share of firms' profit and loss accounts decreased notably. Thus, the item which includes gains (losses) from disposals and impairment experienced a strong decline of 75.8% with respect to 2010 Q1. Similarly, changes in fair value and other gains (losses) also posted a large decrease (in absolute terms) from almost 4% of GVA, in 2010 Q1, to only 0.6% in 2011 Q1. The amount relating to the corporate income tax accrued decreased by 2.6%, since the bulk of the profits obtained by corporations in this period arose from dividends, most of which are not taxed to avoid double taxation. Consequently, the positive performance of ONP fed through to net profit, which increased by 9.6%, during the first three months of this year. ONP amounted to 23.7% of GVA, nearly 2 pp more than the corresponding figure for the same period of the previous year.

14.6.2011.