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PRESS RELEASE

Trend in the financial structure and results of firms in 2003

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In a context of still hesitant economic growth, the total value added created by non-financial corporations increased by 3.4 p.c. (in nominal terms) in 2003, the best result for three years. At the same time, operating expenses were more or less static, owing to the very restrained rise in staff costs (due in particular to job losses in industry) and the further decline in depreciation (reflecting the low level of business investment in both 2002 and 2003). In contrast to what had happened in previous years, the growth of value added therefore far outpaced the rise in operating expenses. As a result of these contrasting movements, the net operating profit for companies as a whole increased by almost 23 p.c. to €21.2 billion. An increase on that scale had not been seen since 1997. Once again, the financial and exceptional results were decidedly positive. After aggregation of all the profit and loss account items, non-financial corporations made a net profit after tax of €24 billion, 96 p.c. higher than in 2002. If this is borne out by the final figures, this virtual doubling of profits – though admittedly following two years of sharp decline – would represent a historical record.

Overall, firms saw an improvement in their financial situation in 2003, after clearly suffering from the economic malaise which had prevailed in 2001 and 2002. As regards solvency, apart from the further small increase in financial independence, the ability of firms to repay their debts improved, after several years of decline. The cost of the debt level in terms of interest charges on financial debts also continued the decline which had begun in 2002, following a further fall in market interest rates. Profitability, which had been severely eroded in large firms from 2000 to 2002, and had actually collapsed in SMEs, bounced back in 2003. The main reason for this recovery lies in control over operating costs (staff costs and depreciation) and financial expenses.

Finally, the results of a failure prediction model were presented for the first time. By making it possible to place firms in risk classes, the model sheds new light on the financial position of Belgian firms. The proportion of firms in difficulty came to 17 p.c. for large firms and 20.5 p.c. for SMEs. These firms employ 217,000 workers, including 85,000 in the most vulnerable risk class. It should be noted that firms placed in the risk classes are not necessarily destined for bankruptcy, but they are prone to serious financial problems. Bankruptcy aside, those problems are liable to lead to delay in effecting payments or repaying debts, restructuring or cessation of activity.

Following a marked rise in 2000 and 2001, the risks of failure subsided in 2002, in both large firms and SMEs. This trend towards better health continued in 2003 for the companies in the constant sample, especially the large firms. Overall, the financial risk of the non-manufacturing branches is structurally higher than that of manufacturing industry, in terms of both the percentage of firms in difficulty and the percentage of jobs concerned. The healthiest Belgian branches are chemicals, transport, and energy & water, while the most vulnerable branches are textiles, timber, trade, hotels and restaurants, real estate and business services.