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## PRESS RELEASE

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### Trend in the financial structure and results of firms in 2008

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This article describes the financial situation of Belgian enterprises over the period running from 1 January to 31 December 2008 as a whole. Because of the particularly contrasting economic trends over that period, the analysis is somewhat blurred. The information gathered nevertheless gives some indication of the resistance capacity of firms as they went into the recession.

For the year 2008 as a whole, the value added generated by Belgian non-financial corporations grew by 1.8 p.c., to reach almost 164 billion euro at current prices. This is a marked slowdown from the five previous years, during which value added had expanded at an annual average rhythm of 5.1 p.c. More than just a slackening of firms' sales volume, this slowdown can be explained first and foremost by the sharp rise in the price of imported raw materials. Owing to the weakening of final demand, firms have not been able to pass the whole increase onto their sales prices.

Driven by staff costs and depreciation, growth in total operating expenses picked up, rising by 6.0 p.c. compared with 2007. Combined with the slowdown in value added, this trend turned into a 13.0 p.c. contraction in the net operating result. Such a decline in operating profits has not been seen since 2001 but it should not be forgotten that it had doubled in the space of the previous five years, rising gradually from 17 billion euro in 2002 to more than 35 billion in 2007.

Taking account of the other components making up the profit and loss account (namely, financial results and extraordinary items as well as taxes), the net operating result of non-financial corporations amounted to some 43 billion euro in 2008, which works out at a 14.6 p.c. drop on 2007.

The financial position of firms showed a contrasting picture as at 31 December 2008. As a result of the deterioration of the economic climate, profitability and coverage of borrowings by cash flow dropped across the board. On the other hand, the degree of financial independence followed the upward trend of the last few years, after new equity capital injections. And lastly, liquidity positions generally continued to improve although they actually worsened in very large enterprises, reflecting financial transfers between affiliated companies.

Finally, an analysis of the ratio distribution showed that a large proportion of firms are in an unfavourable financial situation. For instance, each year, almost one quarter of all the firms surveyed incur losses. These firms are mostly SMEs. It also emerges from the analysis that the ratio distribution has widened over time: overall, the ratios are improving in the best-off segments of the corporate population, while they are stagnating or even worsening in the lower levels.