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PRESS RELEASE

Results and financial situation of firms in 2010
(Article for the December 2011 Economic Review)

The cyclical upswing in 2010 had a favourable impact on the operating account of non-financial corporations. After falling in 2009 for the first time in 15 years, total value added at current prices grew by 6% in 2010. At the same time, staff costs recorded a further rise, albeit relatively moderate, while the growth of depreciation slowed for the third year running, against the backdrop of a further decline in investment. Overall, operating expenses increased at a significantly slower pace (+1.8 %) than value added.

This combination of cost control and a revival in activity led to a strong surge in the net operating result in 2010 (+29.2%), following a 28% decline over 2008 and 2009 taken together. Although the operating result recorded in 2010 (€ 33.1 billion) is still below the pre-recession peak (€ 35.7 billion in 2007), the improving economic climate therefore enabled firms to wipe out most of the recession's impact on their performance. Moreover, the net operating result had more than doubled between 2001 and 2007. In the last three years considered, the manufacturing branches and large firms recorded larger fluctuations in the operating account owing to their greater sensitivity to foreign demand.

Macro-economic developments also had an influence on the financial position of firms. Following a sharp fall in 2008 and 2009, the return on equity recovered in 2010, in terms of both medians and global figures. Whatever the criterion considered, however, the ratio remained well below the pre-recession peaks. Examination of the overall distribution indicates that the economic conditions influenced both the most profitable and the least profitable strata of the population.

Generally speaking, solvency also improved in 2010. The median and global figures for financial independence increased again, in line with the upward trend of the past fifteen years. Nevertheless, it seems that the rise mainly benefited the most solvent population strata, and numerous firms moved in the opposite direction to the majority trend, particularly in the SME group. The degree to which borrowings are covered by cash flow improved in 2010 according to most of the criteria considered, reflecting an increase in the capacity to repay debts. Finally, the average interest charges on financial debts declined for the second consecutive year. The movement in the ratio reflects the lower interest rates charged on bank loans in 2009 and 2010.

According to the results of the financial health model developed by the Bank, firms became less vulnerable in 2010: after a substantial rise in 2008 and 2009 owing to the recession, the percentage of firms in the lowest financial health classes – i.e. the classes corresponding to a high risk of bankruptcy – declined in 2010. The rise in the number of bankruptcies was much more moderate than in previous years.

The last part of the article places the analysis of the annual accounts in a regional perspective. The regional breakdown is based on data from the National Accounts Institute which give details of employment in firms for each registered office and each operating establishment. Single-region firms, i.e. firms whose registered office and operating establishment(s) are located in one and the same region, are assigned immediately to a region. In the case of multi-region firms, i.e. firms located in more than one region, the items in the annual accounts are broken down in proportion to employment in each region, which amounts to assuming that employment is proportionate to the accounting items.

The sectoral breakdown of value added and the analysis of firm size reveal some specific regional characteristics. In particular, Brussels is notable for a strong focus on services and a higher proportion of small firms. As differences of this type have a direct influence on the findings and the financial position of firms, the statistics should be interpreted with caution.

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Overall, in recent years the regional trends in the operating account have been similar. In the three regions, value added increased steadily between 2001 and 2008, before contracting in 2009 then picking up again in 2010. The net operating result recovered strongly in 2010 after two years of marked erosion.

On average, over the past decade as a whole, Flemish firms have been the most profitable, regardless of size or the criterion considered. However, the gap between Walloon and Flemish firms has narrowed considerably in recent times; in some cases it has actually been reversed. Analysis of the full distributions also shows that while Brussels has a higher proportion of firms with low profitability, it also has more highly profitable firms. This greater dispersion of Brussels firms is due mainly to their smaller size and their specialisation in the tertiary sector, two factors which tend to accentuate the volatility of the financial ratios.

Financial independence improved in the three regions in recent years, for firms of all sizes regardless of the criterion studied. In global terms, the strongest rise occurred in large Brussels firms, which benefited especially from the strengthening of the equity capital in certain corporate head offices. In terms of medians, financial independence increased faster in Flanders for all sizes of firms. Moreover, as in the case of the profitability ratios, the Brussels distribution is considerably more dispersed. Finally, in each of the regions, the 1st quartile and the 1st decile of SMEs have deteriorated in the past ten years. A significant fraction of the population in each region has therefore moved counter to the majority upward trend.

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