

Results and financial situation of firms in 2013

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Introduction

Each year, in the December issue of the Economic Review, the National Bank describes the developments reflected in the annual accounts of non-financial corporations. By the autumn, the Central Balance Sheet Office already has a representative sample of annual accounts for the previous year. The conclusions based on that sample can therefore be fairly reliably extrapolated to the population as a whole.

This article is in three parts. The first part briefly describes the method used and the population studied. The second part presents an extrapolation of the main items in the operating account for the 2013 financial year, focusing mainly on value added, staff costs, depreciation and the operating result. The extrapolations are presented according to company size and according to the main branches of activity. Other points highlighted are the amount that firms devote to investment, and developments since the outbreak of the financial crisis. The third part assesses the financial position of companies in terms of profitability and financial structure. This analysis is based on the theory of the interpretation of annual accounts, and provides both a macroeconomic view (globalised figures) and a microeconomic picture (medians and other distribution measures). This year, an additional section looks at corporate cash flows on account of their marked expansion over the recent period. The analysis refers to such concepts as net working capital, net working capital needs, and net cash position.

1. Method and description of the population

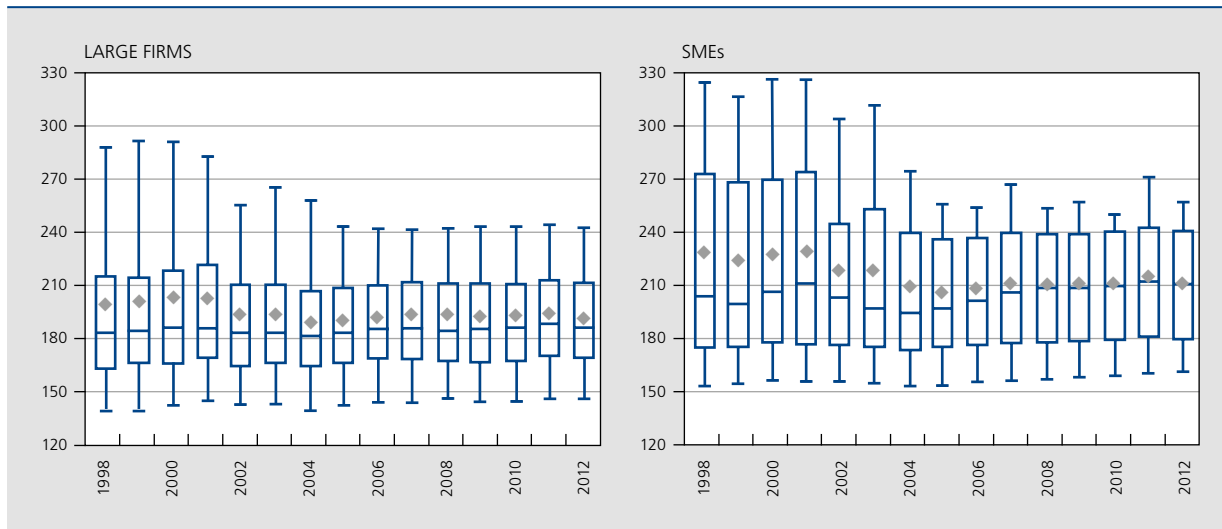
1.1 Method

The Central Balance Sheet Office has collected the accounts of non-financial corporations since the late 1970s. To that end, firms are required to lodge their annual accounts in a standardised form no later than seven months after the end of the financial year. The data are then checked and corrected if necessary in order to meet the required quality standards, following which an initial analysis is possible from September onwards.

However, it is always the case that the annual accounts for the latest year considered – in this case 2013 – are not yet all available. That is because a significant number of accounts are filed late or fail the arithmetical and logical checks conducted by the Central Balance Sheet Office. That is why the data for 2013 are estimated on the basis of a constant sample. The sample comprises firms which have filed annual accounts covering a 12-month financial year for both 2012 and 2013. The method consists in extrapolating the 2013 results according to developments observed in the sample, which are presumed to be representative of trends affecting the population as a whole. As verified in previous editions of this article, that assumption is broadly correct: in the vast majority of cases, the extrapolations give a good indication of the direction and scale of the real movements.

This year's sample was drawn on 10 September 2014. It comprises 252 731 sets of annual accounts, or 74.0% of the total number filed for the 2012 financial year. In terms

CHART 1 DISTRIBUTION OF THE TIME TAKEN TO FILE ANNUAL ACCOUNTS
(number of days from the end of the financial year)



Source : NBB.

The lower and upper extremes of the box plots correspond respectively to the 1st and 3rd quartiles. The line inside the box represents the median. The extremes of the lower and upper moustaches correspond respectively to the 1st and 9th decile. The grey dot indicates the average.

of value added its representativeness is much higher, at 88.1 %.

The sample has become significantly more representative over the past ten years: in 2005, it only represented 52.6 % of the number of companies, and 82.4 % of value added. There are two main factors accounting for that improvement.

First, the programme law of 27 December 2005 introduced increased charges for late filing of accounts from the 2005 financial year onwards, and that had a marked effect on firms' behaviour. As indicated by chart 1, which presents box plots showing the distribution of the time taken to file accounts, the biggest impact was on the tardiest strata of the population. In 2003 they still represented 20 %, but in 2005 the proportion of annual accounts filed more than nine months after the end of the financial year dropped to 8 %, and remained fairly stable thereafter at less than 10 %.

Technical progress has also shortened the time taken to collect and process the data. Apart from the electronic filing of annual accounts, which is more or less universal today, the IT system of the Central Balance Sheet Office has undergone various improvements in recent years, including the development of a data warehouse and use of the XBRL language.

1.2 Description of the population studied

The population studied corresponds to all non-financial corporations as defined by the Central Balance Sheet Office. However, the "head office activities" branch (NACE-BEL 70 100) is excluded from this population because it comprises companies which generally provide internal banking or cash management services for corporate groups, and are therefore comparable to financial corporations.

Annex 1 itemises the NACE-BEL codes for the branches of activity covered. The sectoral groupings are based on the NACE-BEL 2008 nomenclature. However, for presentation and interpretation purposes, the structure used here differs slightly from the official structure of the nomenclature.

The article also distinguishes between companies according to their size. This distinction is based on the kind of annual accounts format. Under the Company Code, small non-listed companies have the option of filing their annual accounts in the abridged format, while large firms and small listed companies must use the full format.

The Company Code defines a small company as one which has not exceeded more than one of the following limits in the last two financial years:

- annual average number of employees: 50;
- turnover (excluding VAT): € 7 300 000;
- balance sheet total: € 3 650 000;

unless the number of employees exceeds an average of 100 units per annum⁽¹⁾.

In all other cases the company is regarded as large.

According to these criteria, companies filing full-format accounts are defined as large firms. Other companies, i.e. those using an abridged format, are regarded as SMEs.

Table 1 summarises the main characteristics of the population studied. The 2013 data are shown for the record because, as already stated, they were incomplete when this article went to press. SMEs make up the great majority (320 787 companies in 2012, or 94 % of the total). Conversely, in terms of value added and jobs, large

firms clearly predominate (€ 131 billion value added and 1.3 million jobs in 2012, or 74 % and 70 % of the total respectively).

In the space of twenty years the number of non-financial corporations filing annual accounts has doubled. That long-term trend has continued over the recent period, the number of companies studied rising from 301 026 units in 2008 to 341 313 units in 2012. This net creation of firms originates mainly from services (business services,

(1) If the financial year covers either more or less than 12 months, the turnover criterion is calculated on a pro rata basis. If the enterprise is affiliated to one or more companies, the criterion for the annual average workforce is calculated by adding up the average annual number of workers employed by all the enterprises concerned, and the turnover and balance sheet total criteria are calculated on a consolidated basis. For more details, see the advisory opinion CNC 2010-5 of the Belgian Accounting Standards Commission (www.cnc-cbn.be).

TABLE 1 CHARACTERISTICS OF THE POPULATION STUDIED
(situation as at 10 September 2014)

	2008	2009	2010	2011	2012	<i>p.m.</i> 2013
Number of firms	301 026	313 457	317 993	336 477	341 313	264 404
Large firms	17 546	18 215	19 268	20 091	20 526	18 978
SMEs	283 480	295 242	298 725	316 386	320 787	245 426
Manufacturing industry	21 848	22 000	21 641	22 303	22 149	17 327
Non-manufacturing branches	279 178	291 457	296 352	314 174	319 164	247 077
Public limited companies	87 108	86 251	83 618	83 382	80 623	62 960
Private limited companies	191 716	203 793	210 157	227 314	234 443	180 754
Cooperative societies	9 189	9 049	8 741	8 914	8 577	6 329
Other legal forms	13 013	14 364	15 477	16 867	17 670	14 361
Value added (€ million)	164 902	158 983	167 797	174 025	176 413	161 289
Large firms	123 899	117 994	126 412	128 997	130 944	127 258
SMEs	41 004	40 988	41 385	45 028	45 470	34 031
Manufacturing industry	46 462	43 301	46 820	46 642	46 841	44 200
Non-manufacturing branches	118 440	115 682	120 978	127 383	129 573	117 089
Public limited companies	118 804	111 729	116 073	117 794	117 337	109 079
Private limited companies	28 075	29 031	31 913	35 621	37 609	31 749
Cooperative societies	4 002	4 051	4 044	4 256	4 461	4 503
Other legal forms	14 022	14 171	15 767	16 353	17 006	15 959
Employment⁽¹⁾	1 856 881	1 816 209	1 816 635	1 881 784	1 879 699	1 631 400
Large firms	1 290 522	1 251 053	1 268 985	1 304 153	1 306 420	1 237 574
SMEs	566 359	565 157	547 651	577 631	573 279	393 827
Manufacturing industry	501 227	478 156	457 515	460 475	454 795	406 636
Non-manufacturing branches	1 355 653	1 338 053	1 359 120	1 421 309	1 424 905	1 224 764
Public limited companies	1 291 711	1 233 136	1 221 136	1 244 288	1 229 567	1 098 515
Private limited companies	359 982	376 381	388 453	428 869	442 363	336 914
Cooperative societies	48 452	48 861	48 347	50 025	49 805	45 669
Other legal forms	156 737	157 831	158 699	158 602	157 964	150 303

Source: NBB.

(1) Average workforce in full-time equivalents.

management consultancy, IT activities, real estate, liberal professions, etc) and construction. Conversely, in industry the number of companies has been far more stable for many years. Annex 3 gives a detailed view of the changes in the number of companies per branch of activity.

Generally speaking, new firms are relatively small entities: for instance, 30 % of companies created in the past five years do not employ any staff, and only 5 % of them employ more than five persons; moreover, the very great majority of new firms are private limited companies.

The number of public limited companies has been declining for the past ten years. However, in almost a quarter of cases, public companies that have disappeared have undergone a merger by acquisition (compared to less than 5 % of private companies) and therefore do not strictly speaking represent a cessation of business. Furthermore, public companies continue to account for a very large proportion of value added and total employment, at 67 % and 65 % respectively.

Other legal forms have continued to expand, mainly as a result of the growth of non-trading partnerships. These are particularly popular among members of the liberal professions, including accountants, tax advisers, lawyers, notaries and architects. These partnerships generally take the form of private limited companies, so that most of them are subject to the rules applicable to the latter⁽¹⁾. Finally, for the record, the number of general partnerships and limited partnerships has also risen over the recent period, though it is still marginal (these entities represent less than 1 % of the total).

2. Trend in components of the operating account

2.1 Economic climate

Following a long period of stagnation which had begun in the second half of 2011, activity in Belgium returned to positive growth from the second quarter of 2013. Over 2013 as a whole, GDP grew by 0.3 % whereas it had fallen by 0.1 % in 2012. In general, GDP was still held back by the persistent uncertainty over the fundamental factors supporting growth, such as employment, personal income, and the sales outlook for firms.

(1) One of the main differences concerns creditors' rights in the event of bankruptcy. Also, the law on the continuity of businesses does not apply to non-trading partnerships.

The weak average GDP growth recorded in 2013 was supported by private consumption, which gained momentum throughout the year after having stagnated for two years. Government consumption was also a contributory factor, even though it slowed down on account of fiscal consolidation.

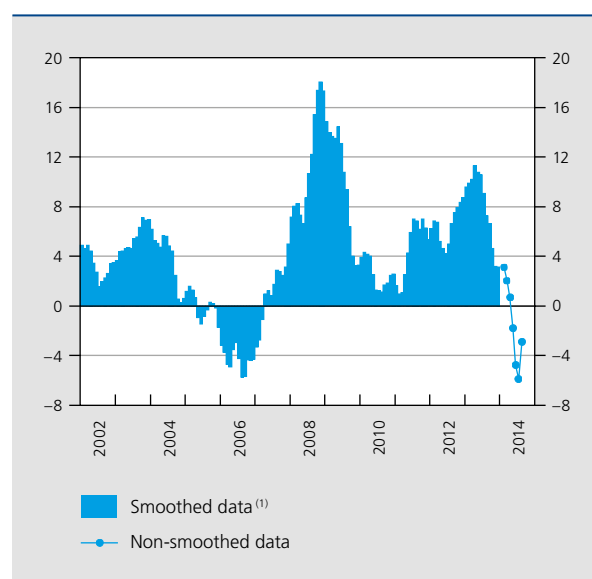
The growth of business investment proved slightly negative on average over the year. Households also cut their investment in housing by even more than in 2012, while government investment was down sharply, as is generally the case in the year following the municipal and provincial elections.

Net exports made a positive contribution to growth, owing to the combined effects of the export revival and a modest rise in imports. Nonetheless, as in 2012 the contribution from net exports was largely negated by changes in inventories, as firms were probably once again keen to reduce their stocks.

Recent macroeconomic developments have had an impact on the vulnerability of Belgian firms, as is evident from the bankruptcies which the commercial court reported to the Central Business Databank (see chart 2). To ascertain the trend, these data need to be smoothed, because they are subject to a high degree of volatility and seasonal effects.

CHART 2 NUMBER OF BUSINESS BANKRUPTCIES IN BELGIUM

(percentage change in the number of bankruptcies compared to the corresponding month of the previous year)



Source: FPS Economy, SMEs, Self-employed and Energy, own calculations.
(1) Data smoothed by a twelve-month centred moving average.

After having peaked in the midst of the 2008-2009 recession, the rise in the number of bankruptcies had slowed sharply up to the beginning of 2011, as a result of the upturn in economic activity. The number of bankruptcies then gradually accelerated, and in 2013 reached its highest level for the past four years: over 2013 as a whole, the number of bankruptcies was up by 10.9%, equivalent to the rate of increase in 2008 (+10.4%) and in 2009 (+11.1%). The branches accounting for the biggest share of increased bankruptcies in 2013 were business services (+18.5%), construction (+14.6%), hotels and restaurants (+9.7%) and trade (+9.1%). Conversely, manufacturing industry (+1.3%) and transport (+0.6%) were relatively unscathed.

The year 2014 began with a period of calm: in the first six months the number of bankruptcies was down by 3.8%, the first decline since the outbreak of the financial crisis. However, that must not mask the fact that the bankruptcy statistics remain at historically high levels. In the first half of 2014 the number of bankruptcies came to 5 689 units, or 42% more than in the first half of 2007 (4 020 units).

2.2 Global trends in the operating account

Over 2013 as a whole, the total value added created by non-financial corporations, i.e. the difference between sales revenues and the cost of goods and services supplied by third parties, increased by 2.0% at current prices (see table 2). That is slightly higher than in 2012, when value added had risen by 1.4%. This growth occurred despite the erosion of sales (-1.0%), as total purchases recorded

a larger fall (-1.7%), partly as a result of the reduction in prices of industrial commodities, energy and food.

Overall, the activity of firms therefore continued to lack momentum in 2013. In particular, over the past two years under review, value added has grown by much less than the average for the previous ten years (+4.1%⁽¹⁾).

The value added that a firm creates enables it to cover its operating expenses and to record any excess as its net operating profit. The latter reflects the firm's current trading efficiency, regardless of its funding policy and any exceptional factors.

Staff costs usually make up the major part of the operating expenses. In 2013, their growth (+2.1%) was in line with the rise in value added, in contrast to previous years when their increase had been much stronger. The movement in the wage bill in 2013 was influenced mainly by the marked slowdown in hourly labour costs in the private sector, brought about via the wage indexation mechanism, owing to the fall in inflation. The total number of workers employed remained very stable in 2013 (-0.1% in full-time equivalents), as had already been the case in 2012.

After staff costs, the biggest operating expenses comprise item 630 in the annual accounts, namely depreciation and write-downs on tangible fixed assets, intangible fixed assets and start-up costs. In 2013, their growth slowed again to a relatively low level (+2.6%). Overall,

(1) Excluding 2009, a year in which the growth of value added had been negative.

TABLE 2 TRENDS IN THE MAIN COMPONENTS OF THE OPERATING ACCOUNT
(current prices)

	Percentage changes compared to the previous year					In € million	In % of value added	
	2009	2010	2011	2012	2013 e	2013 e	2013 e	
Value added	-3.6	5.5	3.7	1.4	2.0	180 018	100.0	
Staff costs	(-)	-0.3	0.6	5.3	3.0	2.1	104 098	57.8
Depreciation and write-downs ⁽¹⁾	(-)	6.1	2.1	4.1	3.3	2.6	33 837	18.8
Other operating expenses	(-)	-5.2	3.0	4.7	2.5	0.5	11 087	6.2
<i>Total operating expenses</i>		0.7	1.1	5.0	3.0	2.1	149 021	82.8
Net operating result		-21.1	28.6	-1.7	-5.9	1.8	30 996	17.2

Source: NBB.

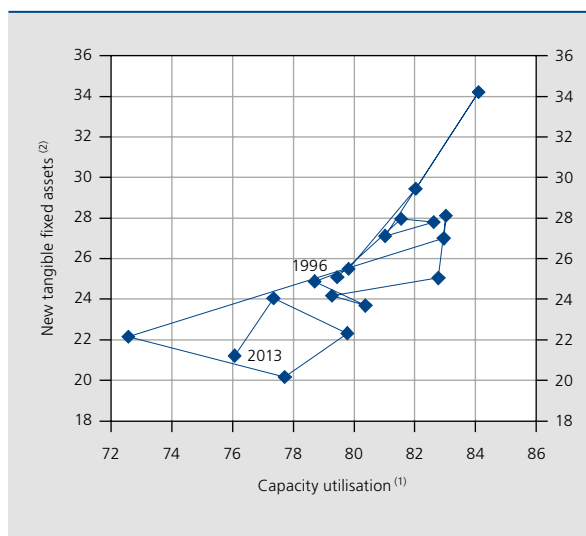
(1) On tangible and intangible fixed assets and start-up costs (item 630).

the increase in depreciation has been modest in recent years, reflecting an investment policy which has become much more conservative since the outbreak of the financial crisis.

In the annual accounts, corporate investment spending can be ascertained from the ratio of new tangible fixed assets. That ratio divides acquisitions of tangible fixed assets during the year by the stock of tangible fixed assets at the end of the previous year. Whatever the yardstick applied, the ratio contracted very sharply in the wake of the 2008-2009 recession, and has since remained at levels well below those prevailing before the financial crisis (chart 3). This downward trend has affected almost all branches of the Belgian economy (see Annex 4). In 2013, the ratio was again hit by sluggish demand and the gloomy growth outlook in a persistently uncertain environment. The degree of capacity utilisation in manufacturing industry, which remained below its long-term average throughout the year, also discouraged new investment. Chart 4 shows the close link between the renewal of tangible fixed assets and the degree of capacity utilisation as calculated in the Bank's business surveys: the correlation between the two variables comes to 0.76 over the period 1996-2013.

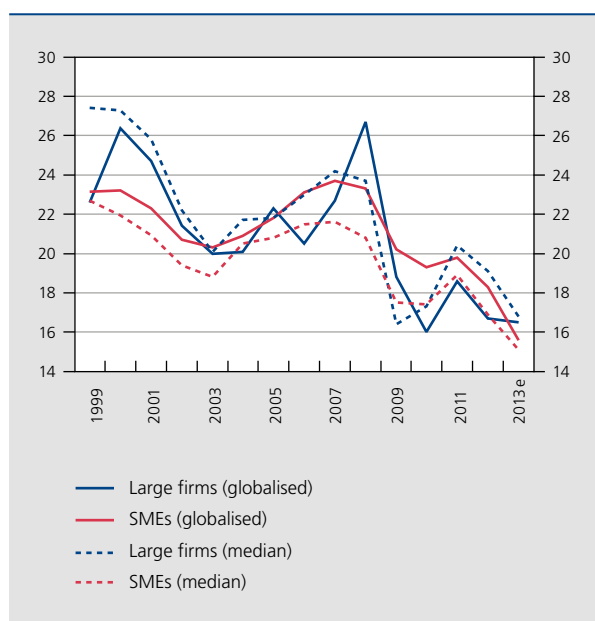
Total operating expenses, determined largely by staff costs and depreciation, increased by 2.1% in 2013, a controlled rise roughly equivalent to the growth of value

CHART 4 RATIO OF NEW TANGIBLE FIXED ASSETS AND CAPACITY UTILISATION IN MANUFACTURING INDUSTRY (%)



Source : NBB.
 (1) Annual average.
 (2) Globalised figure for all manufacturing companies.

CHART 3 RATIO OF NEW TANGIBLE FIXED ASSETS (%)



Source : NBB.

added. As a result, there was a very small improvement in the net operating profit (+1.8%) to a total of € 31 billion in 2013, thus ending the erosion seen in both 2011 (-1.7%) and 2012 (-5.9%).

2.3 Developments per branch of activity

Table 3 describes the movements in the operating account for each branch of activity over the past two years under review. Chart 5 depicts sectoral developments since the outbreak of the financial crisis.

The slight improvement in the results in 2013 is attributable to both manufacturing and non-manufacturing branches (see table 3). Overall, manufacturing benefited from less unfavourable foreign trade, while the non-manufacturing sector was bolstered by the revival in consumption spending. However, these general findings need to be qualified in view of the economic context specific to the various sub-sectors.

2.3.1 Manufacturing industry

In the manufacturing branches, it was the pharmaceutical and agri-food industries that performed best in 2013, in line with the trend of recent years. Since the outbreak of the financial crisis, the pharmaceutical industry has

benefited from its innovative character, reflected for instance in a value added ratio (i.e. the value-added-to-sales ratio) well in excess of that in the other industrial branches. The agri-food sector was sheltered from the fluctuations in international trade, thanks to its strong focus on the home market.

Taken overall, the other components of industry were much less affected by the recent economic situation. Branches that have recorded the most significant decline since 2007 include textiles and metallurgy: for a very long time now, textiles have faced international competition, particularly from the low-cost countries, while metallurgy suffered particularly from the effects of the 2008-2009 recession, including the closure of some production units⁽¹⁾.

Other branches, such as metal manufactures and chemicals, have recorded mixed results in recent years. In metal manufactures, the dynamism of certain technological industries has been offset by the repercussions of some massive restructuring operations. The chemical industry as a whole has faced a cut in its margins, partly as a result of fluctuations in the prices of certain industrial and energy commodities. However, firms in this branch remain subject to varying market situations determined largely by the nature of their output.

(1) The surge in the operating result in metallurgy in 2013 is of little significance since the result had fallen to a low point in 2012 following several very bad years for the sector.

TABLE 3 VALUE ADDED AND OPERATING RESULT PER BRANCH OF ACTIVITY
(percentage changes compared to the previous year)

	Value added		Net operating result		<i>p.m.</i> Branch's share, in % of total value added in 2013 e
	2012	2013 e	2012	2013 e	
Manufacturing industry	0.4	1.3	-14.3	2.5	26.4
of which:					
Agri-food industries	4.8	5.4	9.3	20.3	4.3
Textiles, clothing and footwear	-0.3	-1.6	16.1	-0.6	0.8
Wood, paper and printing	-2.4	-3.7	-6.2	-23.7	1.6
Chemicals industry	-2.9	1.4	-27.6	-5.5	3.8
Pharmaceuticals industry	6.7	10.9	-18.3	36.5	3.2
Metallurgy and metalworking	-6.2	1.0	-87.9	179.6	3.6
Metal manufactures	0.8	-1.6	-1.2	-5.6	5.1
Non-manufacturing branches	1.7	2.3	-2.9	1.6	73.6
of which:					
Trade in motor vehicles	-5.5	-0.7	-26.6	-7.2	2.4
Wholesale trade ⁽¹⁾	0.6	-0.1	-6.3	-7.0	12.5
Retail trade ⁽¹⁾	1.8	3.5	-7.8	4.6	7.0
Transport and storage	1.5	3.2	n.s.	56.7	8.4
Hotels, restaurants and catering	2.5	4.1	-21.1	25.6	2.0
Information and communication	1.3	-0.9	-5.4	-16.2	6.8
Real estate activities	8.6	3.9	7.2	5.7	3.1
Business services	4.3	3.4	4.3	8.7	14.4
Energy, water and waste	-7.9	-1.9	-25.7	-29.2	5.1
Construction	4.4	1.0	12.6	0.6	7.8
Total	1.4	2.0	-5.9	1.8	100.0

Source: NBB.

(1) Excluding trade in motor vehicles.

Overall, manufacturing industry still bears the scars of the financial crisis, and has yet to regain its pre-crisis position: in 2013, value added and the net operating result stood 1.1 % and 29.2 % respectively below their 2007 peak.

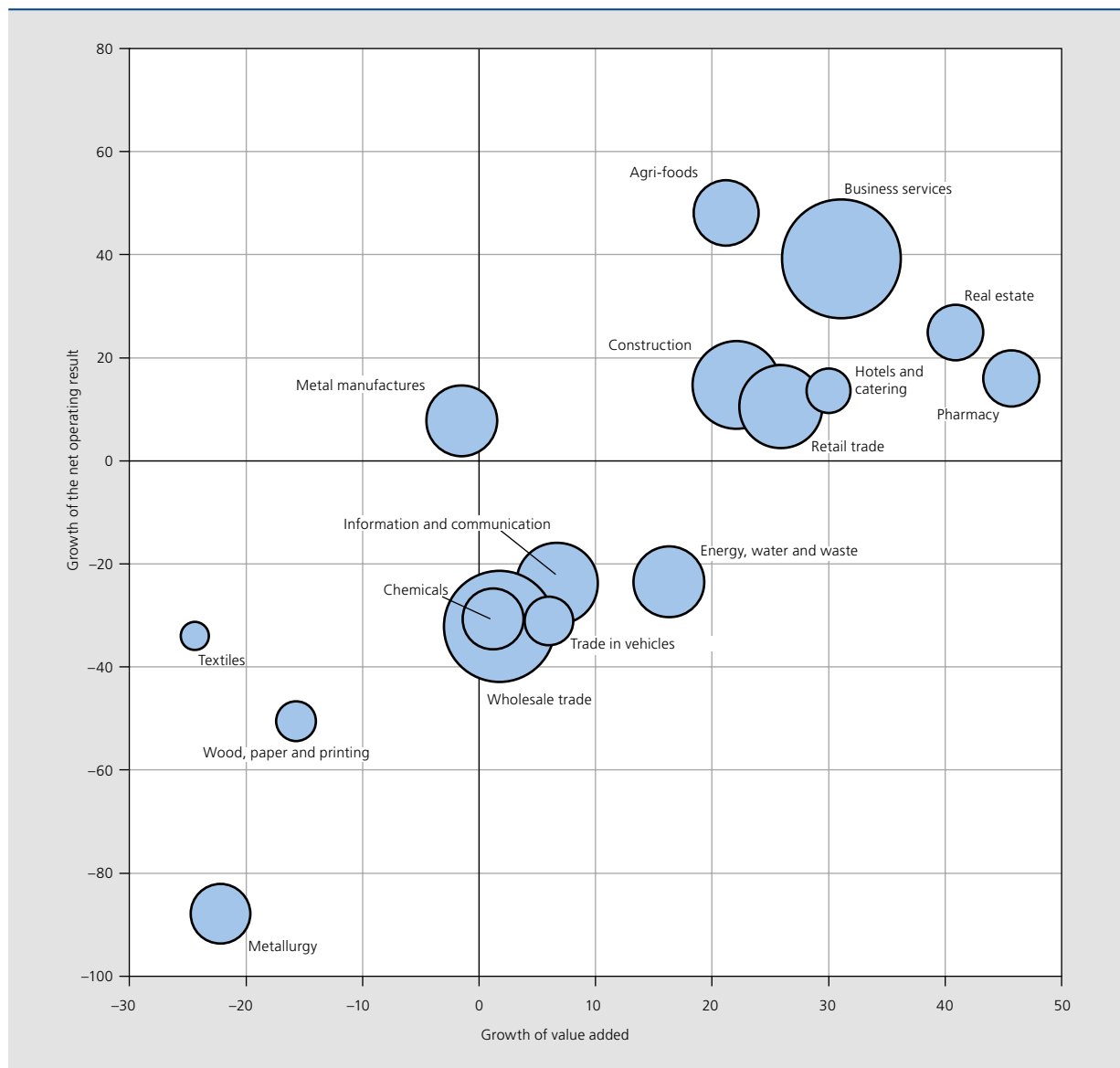
2.3.2 Non-manufacturing branches

Despite a general improvement in their performance, the situation in the non-manufacturing branches was variable in 2013. For instance, retailing benefited from the revival in consumption while, conversely, the results for trade in motor vehicles were again affected by the propensity of

the economic agents to postpone their purchases of durable goods. The wholesale trade suffered mainly from the decline in petroleum product volumes and prices. In energy and telecommunications, the results were again hit by the reduction in margins due mainly to competition and the regulatory environment. Finally, the results in construction in 2013 were far less favourable than in previous years owing to the slump in public investment and investment in housing, and the bad weather at the beginning of the year.

Since the start of the financial crisis, the service branches that have proved most resilient are business services, real

CHART 5 VALUE ADDED AND NET OPERATING RESULT, 2007 – 2013 ⁽¹⁾
(%)



Source: NBB.

(1) The size of the circles is proportionate to each branch's share in total value added in 2013.

estate, hotels, restaurants and catering, and the retail trade. In general, these branches have benefited from the relative robustness of domestic demand since 2008. It should also be noted that, in the long term, the trend towards outsourcing of non-core activities has stimulated the growth of some of these branches, most especially business services. Conversely, the wholesale trade is among the service branches most affected by the economic situation in recent years, owing to its exposure to industrial activity and international trade; however, some wholesaling activities have been more resilient, including those linked to food and pharmaceuticals.

3. Trends in the financial situation of firms

The financial analysis which follows is based on the theory of interpretation of the annual accounts, from which several ratios have been borrowed. They are defined in detail in Annex 2.

The financial ratios are presented in the form of global figures and medians. The globalised ratios are obtained by taking the sum of the numerators of all companies and dividing it by the sum of their denominators. The median is the central value in an ordered distribution for a given ratio: 50% of firms have a ratio above the median and 50% have a ratio below the median. The two measures are complementary because they focus on different points of interest. Since it takes account of the weight of each observation in the numerator and in the denominator, the globalised figure primarily reflects the situation of the largest firms. In contrast, the median reflects the picture for the distribution as a whole, because it is influenced equally by every firm, regardless of size.

3.1 Profitability

In this article, profitability is assessed on the basis of four ratios: the net margin on sales, the return on operating results, the return on equity and the return on total assets.

The net margin on sales is equal to the ratio of net operating result to turnover⁽¹⁾. It expresses the commercial performance of a business unit, irrespective of financing, exceptional results and tax considerations. For SMEs, the ratio can only be calculated if turnover is reported in the annual accounts.

The net return on operating assets is the ratio of net operating result to operating assets.

The latter are defined as the sum of non-financial fixed assets, inventories, receivables at less than one year and adjustment accounts⁽²⁾. Other assets (financial fixed assets, amounts receivable

after one year, investments and available assets) are regarded as financial assets and are not included in the ratio's denominator. Thus, the ratio expresses the commercial performance relative to the balance sheet items directly involved in operations.

The return on equity is the net profit after tax divided by equity capital. This ratio indicates the return which shareholders receive after the deduction of all expenses and taxes. From a strictly financial standpoint, it is therefore the ultimate measure of profitability.

Lastly, the net return on total assets before taxes and financial expenses measures the firm's profitability in relation to all the resources at its disposal. Profits are considered before taxes and financial expenses so as to be unaffected by taxation and financing policy. Consequently, the ratio is sometimes called the "economic return".

Chart 6 shows the trend in the four ratios thus defined. In 2013, profitability was down according to most of the criteria considered, for both large firms and SMEs. However, the profitability of SMEs has stood up better overall in recent years: SMEs are less sensitive to economic cycles because they are less focused on industrial activities and international trade. In contrast, the ratios of large firms were clearly harder hit by the recent economic situation, and have now reached their lowest levels for ten or even fifteen years. That is true for almost all the branches of activity studied.

(1) In the case of large firms, turnover is increased by other operating income and reduced by operating subsidies.

(2) This is the definition proposed in Ooghe and Van Wymeersch (2006), *Traité d'analyse financière*, Intersentia, Antwerp-Oxford.

CHART 6 PROFITABILITY
(%)



Source: NBB.
(1) Excluding exceptional results.

3.2 Business solvency and financing

3.2.1 Degree of financial independence

Solvency is the ability of firms to honour their short- and long-term liabilities. This criterion is crucial to the financial diagnosis of firms, and it figures prominently in the model of financial health developed by the Bank.

The main measurement of solvency is the degree of financial independence, namely the ratio between equity and total liabilities. If the ratio is high, the firm is not dependent on borrowings, and that has two beneficial

effects: first, interest charges are low and therefore do not weigh heavily on profits; also, if need be, the firm can easily contract new debts on good terms. The degree of financial independence can be interpreted as measuring the financial risk that the firm incurs, since the remuneration of third parties is fixed, unlike the firm's results which fluctuate over time.

In 2013, the globalised ratio went up by 0.4 percentage point for large firms and 0.2 point for SMEs to 43.4% and 37.7% respectively (see the first part of chart 7). Over the past two years, financial independence has remained relatively stable in globalised terms, after rising

over a long period. From 2005, this long-term trend had been reinforced by the introduction of the risk capital tax allowance (“notional interest”) which brought a massive inflow of foreign capital into Belgium, particularly in the branch comprising head office activities. This branch, which used to comprise the coordination centres, now contains several hundred companies which generally provide internal banking or cash management services within corporate groups. Although, as stated in section 1.2, head office activities are excluded from the population studied in this article, they are included in an additional statistic in chart 7, on account of the large changes in capital to which they have recently been subject.

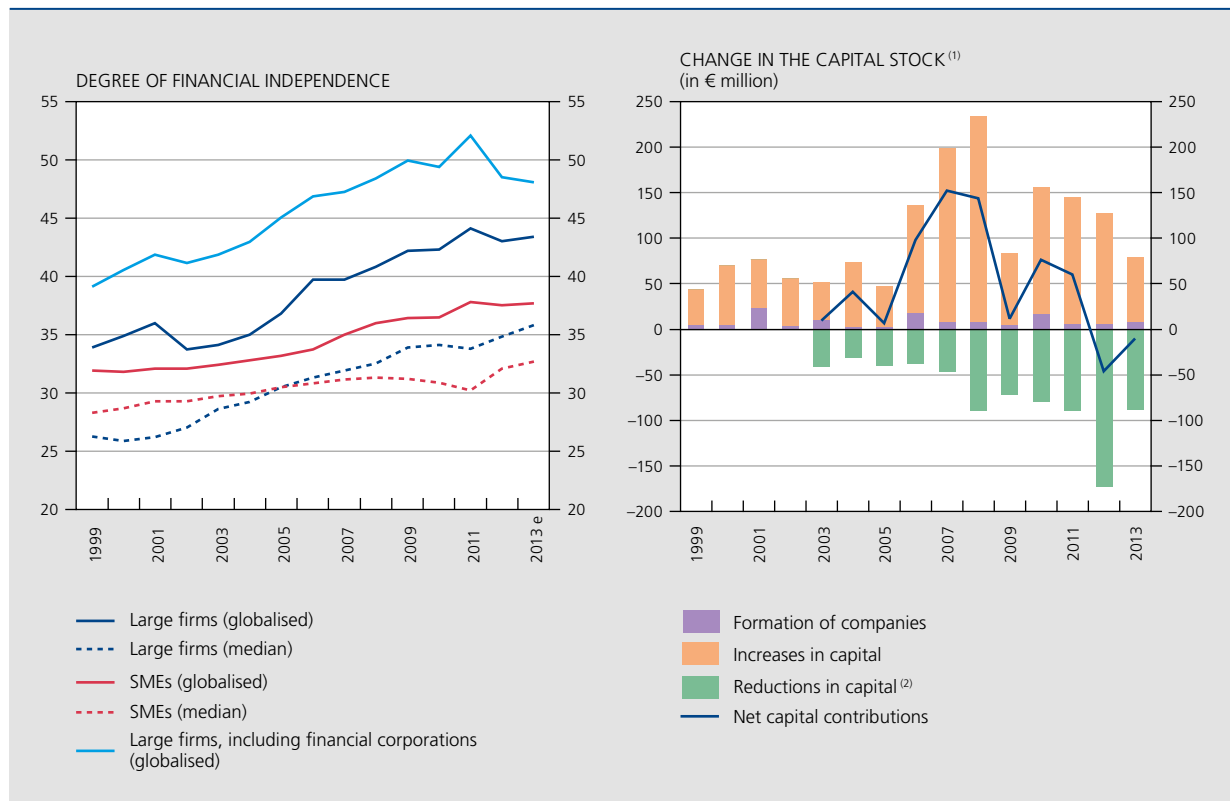
The attractions of the notional interest allowance have gradually diminished over recent years. The basic interest rate used for the deduction was capped at 3.8% (2011 and 2012 tax years), then 3% (from the 2013 tax year). As table 4 shows, the rates applicable from the introduction of the allowance increased up to 2010, as a result of the steady rise in OLO yields. They have since fallen significantly, as yields flattened out and then declined.

Moreover, the option of postponement to a later financial year in the case of interest exceeding the tax base was abolished with effect from the 2013 tax year⁽¹⁾.

The set of restrictions on the notional interest scheme is the main reason for the recent stabilisation of globalised corporate financial independence. In the head office activities branch, financial independence actually contracted in the latest years under review, as companies in the branch had become less inclined to hold their capital in Belgium. That development is reflected in particular in the statistics on net capital contributions compiled on the basis of the *Moniteur belge*: net contributions were negative in both 2012 and 2013, whereas they had always been positive in previous years, reaching record levels in the second half of the 2000s (see chart 7, second part).

(1) Previously, any interest not deducted could be carried forward for seven years. The stock of interest which had not yet been deducted before the 2013 financial year can still be carried forward for seven years but stricter rules will apply.

CHART 7 FINANCIAL INDEPENDENCE AND CHANGE IN THE CAPITAL STOCK OF COMPANIES ESTABLISHED IN BELGIUM
(in % unless otherwise stated)



Source: NBB.

(1) All Belgian companies including financial corporations.

(2) Reductions in capital have been recorded since 2003.

TABLE 4 INTEREST RATE ACTUALLY APPLICABLE FOR THE RISK CAPITAL TAX DEDUCTION (in %)

Tax year	Base rate	Higher rate for SMEs
2007	3,442	3,942
2008	3,781	4,281
2009	4,307	4,807
2010	4,473	4,973
2011	3,800	4,300
2012	3,425	3,925
2013	3,000	3,500
2014	2,742	3,242
2015	2,630	3,130

Source: NBB.

3.2.2 Average interest charges on financial debts

The average interest charges on financial debts permit assessment of the cost of recourse to external funding. The ratio divides debt charges by the sum of the short- and long-term financial debts; it is not calculated for SMEs

because their income statement does not permit accurate identification of debt servicing⁽¹⁾.

In both globalised and median terms, average interest charges declined again in 2013 to reach a historically low level (3.4 % in globalised terms, 4.2 % in median terms). Over the past ten years as a whole the ratio has followed a trend similar to that for the cost of funding based on the MIR surveys⁽²⁾ and the data on corporate bond yields.

While funding costs therefore remain particularly attractive, it should be noted that, according to the Bank's qualitative survey of business leaders, the latter's assessment of general credit conditions remained unfavourable in 2013, except in the case of very large firms. SMEs thus reported a deterioration in their assessment owing to the substantial collateral required by the banks and the limits on the amount of credit.

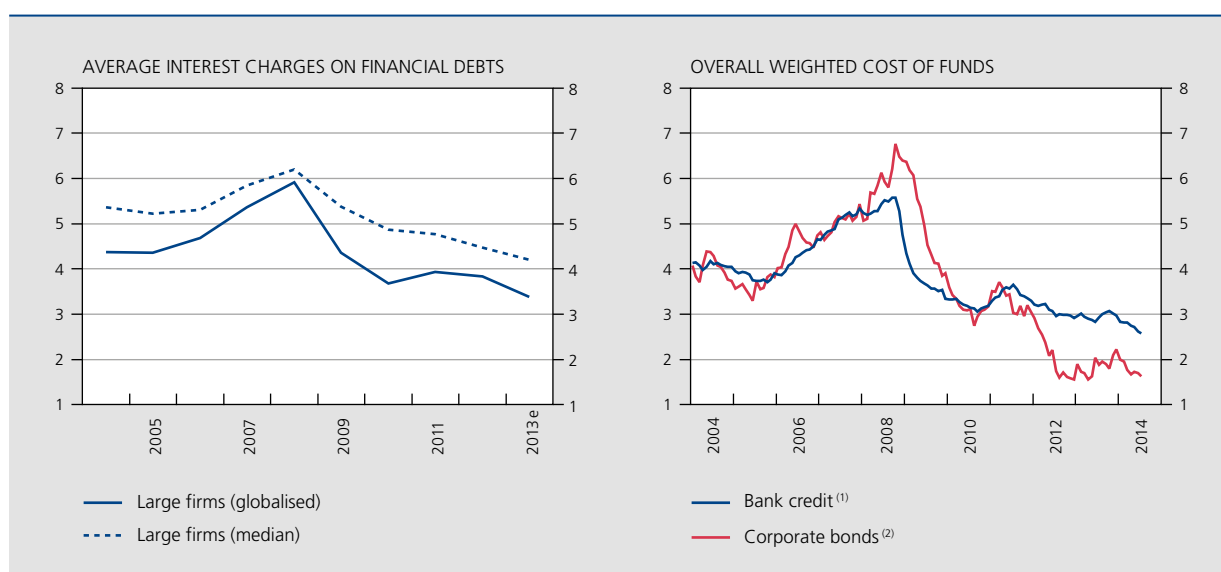
3.2.3 Breakdown of financial debts

Finally, firms continued to make greater use of non-bank funding sources, particularly corporate bonds. Between 2008 and 2013, the proportion of financial

(1) In the abridged formats, debt servicing is included under "financial charges" (item 65).

(2) MIR surveys are harmonised euro area surveys concerning the interest rates that monetary financial institutions apply to deposits and loans of non-financial corporations and households.

CHART 8 FINANCING COSTS (%)

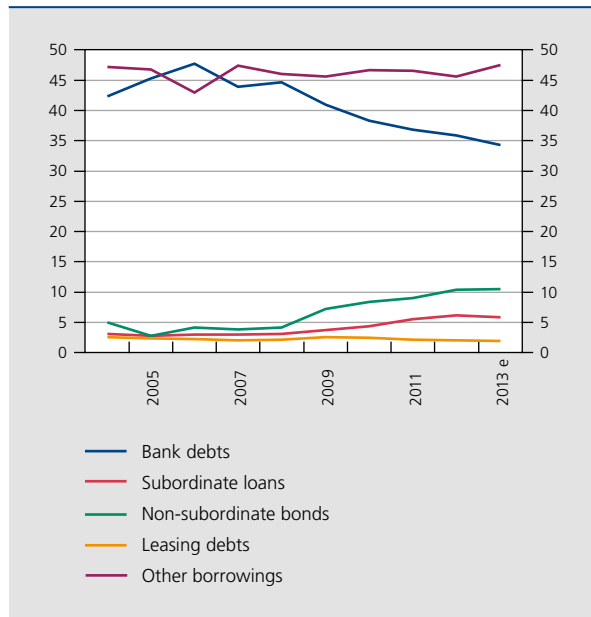


Sources: NBB, Thomson Reuters Datastream.

(1) Weighted average rate charged by Belgian banks on new loans to businesses. The weighting is based on amounts outstanding for the various types of credit.

(2) Yield of an index of euro-denominated bonds issued by Belgian non-financial corporations, all maturities combined; index weighted by outstanding amounts.

CHART 9 BREAKDOWN OF FINANCIAL DEBTS
(in %, large firms)



Source : NBB.

debts represented by bank debt fell from 44.7% to 34.3%, while the share of bonds increased from 4.1% to 10.5% (chart 9). This shift in the funding structure was caused partly by the tightening of bank lending conditions and the renewed attraction of corporate bonds, which offer better yields than sovereign bonds.

The share of intra-group loans which make up the bulk of the "other loans" item has remained particularly stable in the past decade, fluctuating between 43% and 47%. Lastly, the use of subordinate loans which generally also comprise inter-company borrowings has increased slightly in recent years, though it remains relatively marginal.

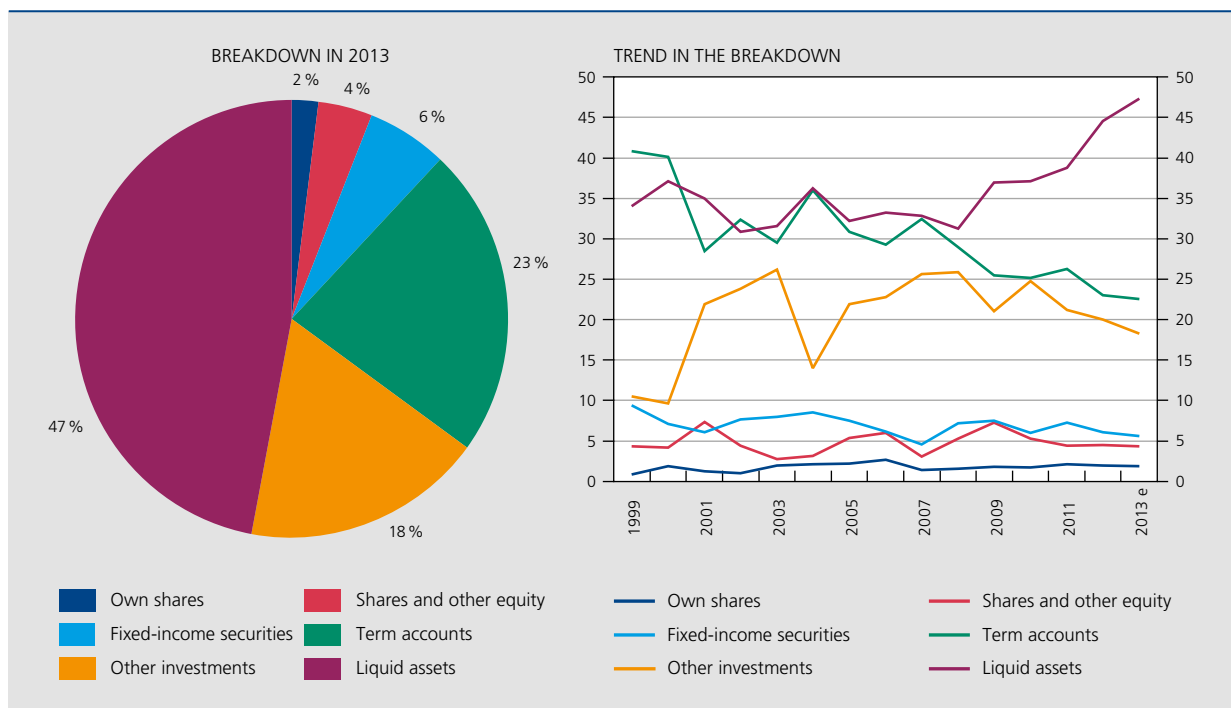
3.3 Recent trends in the cash position

3.3.1 Composition of the cash position

The cash position is defined as the sum of cash investments and liquid assets.

Cash investments mainly comprise shares and other equity, fixed-income securities held for investment purposes, term accounts with credit institutions, own shares and investments relating to cash pooling activities. Liquid assets

CHART 10 BREAKDOWN OF THE CASH POSITION
(in %, large firms)



Source : NBB.

consist of cash balances, securities due for payment, sight accounts and savings accounts with credit institutions.

Chart 10 shows the breakdown of the cash position that can be determined from the annual accounts of large firms (such a breakdown is not feasible for SMEs). In 2013, liquid assets represented 47 % of the total, compared to 23 % for term accounts, 6 % for fixed-income securities, 4 % for shares and other equity, 2 % for own shares and 18 % for other investments. The last item corresponds mainly to deposits with affiliated firms for cash pooling purposes.

The proportion of cash held as liquid assets has risen considerably in recent years, from 33 % in 2008 to 47 % in 2012. The main corollary to this growth is evident in term accounts, whose share declined from 32 % to 23 % over the same period. The reason for this is that term accounts have become less attractive. For one thing, the interest rate differential compared to savings accounts and sight accounts has contracted sharply since the outbreak of the financial crisis (see chart 11), as term deposit rates are more closely linked to the market and to the expectations of economic agents. Also, the withholding tax on income from term accounts increased from 15 % to 25 % following two successive rises in 2012 and 2013, whereas savings accounts still have exemption for the initial tranche of interest (€ 1 880 euros in 2013).

3.3.2 Net cash position, net working capital and net working capital needs

To neutralise the effects of offsetting between the assets and the liabilities on the balance sheet, the cash position has to be analysed in net terms, i.e. after deduction of short-term financial debts. The net cash position is therefore defined as follows:

$$\begin{aligned} \text{Net cash position} = & \text{Cash investments} \\ & + \text{Liquid assets} \\ & - \text{Short-term financial debts} \end{aligned}$$

The net cash position is also defined by reference to the concepts of net working capital and net working capital needs.

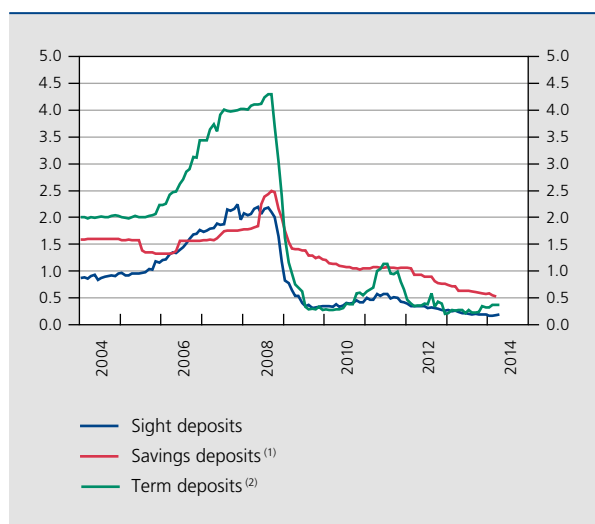
Net working capital is equal to the difference between the limited current assets (assets which are constantly renewed in the course of business, namely inventories, short-term claims, cash investments, liquid assets and adjustment accounts) and short-term capital borrowings.

$$\begin{aligned} \text{Net working capital} = & \text{Inventories and work in progress} \\ & + \text{Short-term claims} \\ & + \text{Cash investments} \\ & + \text{Liquid assets} \\ & + \text{Accrued income} \\ & - \text{Short-term capital borrowings} \\ & - \text{Accrued liabilities} \end{aligned}$$

Positive net working capital provides a buffer enabling the firm to (a) cover the risk of part of the current assets being converted into cash⁽¹⁾ when short-term capital borrowings have to be repaid, and (b) finance the permanent element of the current assets essential for operation (tooling stock, trade receivables, etc).

However, it should be stressed that a high working capital figure may be due, for example, to overstocking which is potentially dangerous for the firm (increased storage costs, disposal problems, etc). Furthermore, the net working capital reflects an overall equilibrium in balance sheet due dates, if the dates for the realisation of the current assets correspond to the dates for repayment of short-term borrowings, which is rarely the case. Finally, the amount of working capital that a firm requires depends directly on the needs created by the operating cycle.

CHART 11 GROSS INTEREST RATES ON CORPORATE DEPOSITS (%)



Source: NBB, MIR surveys.
 (1) Excluding loyalty bonus.
 (2) Term deposits at less than one year.

(1) For example, stocks may remain unsold and customers may become insolvent or delay payment.

The net working capital need answers that last question. It is defined as the difference between operating needs and operating resources, and therefore represents the part of the operating needs not covered by the operating resources.

$$\begin{aligned} \text{Net working capital need} = & \text{Inventories and work in progress} \\ & + \text{Short-term claims} \\ & + \text{Accrued income} \\ & - \text{Short-term debts excluding financial debts} \\ & - \text{Accrued liabilities} \end{aligned}$$

The net working capital need arises because of the time lag between incoming and outgoing payments associated

with the operating cycle: for example, a firm has to pay its suppliers and staff first, and it is only later that its customers pay the firm, and the stocks that it has built up are eventually sold. That time lag varies greatly from one branch of activity to another and from one firm to another, depending on payment periods (customers, suppliers, social security and tax authorities, etc.) and storage times. As a general rule, the longer the operating cycle the more net working capital is needed.

By deduction, the net cash position corresponds to the difference between the two concepts thus defined:

$$\begin{aligned} \text{Net cash position} = & \text{Net working capital} \\ & - \text{Net working capital needs} \end{aligned}$$

TABLE 5 NET WORKING CAPITAL, NET WORKING CAPITAL NEEDS AND NET CASH POSITION, BY BRANCH OF ACTIVITY
(in % of the balance sheet total, 2013)

	Net working capital		Net working capital needs		Net cash position	
	Globalised	Median	Globalised	Median	Globalised	Median
Manufacturing industry	7.3	15.8	9.8	4.1	-2.5	6.6
of which:						
Agri-food industries	0.7	2.3	4.6	-6.1	-3.8	5.7
Textiles, clothing and footwear	18.9	21.3	12.6	8.9	6.3	6.1
Wood, paper and printing	10.5	14.9	9.9	2.4	0.6	7.3
Chemicals industry	1.2	19.3	12.4	11.8	-11.3	2.9
Pharmaceuticals industry	18.8	14.9	11.1	5.0	7.8	4.3
Metallurgy and metalworking	8.8	19.1	8.2	5.7	0.6	7.3
Metal manufactures	17.6	23.5	12.1	9.5	5.4	7.5
Non-manufacturing branches	5.7	10.8	0.8	-3.8	4.9	8.6
of which:						
Trade in motor vehicles	11.6	15.3	8.3	6.0	3.3	5.8
Wholesale trade ⁽¹⁾	16.3	18.7	14.4	6.0	1.9	6.2
Retail trade ⁽¹⁾	6.2	12.8	-3.5	-0.7	9.7	8.8
Transport and storage	4.7	8.8	1.0	-3.5	3.7	7.1
Hotels, restaurants and catering	-3.4	-12.4	-6.9	-24.7	3.5	8.1
Information and communication	-5.7	22.2	-5.1	-3.4	-0.6	19.1
Real estate activities	1.3	-2.4	-5.2	-8.0	6.5	2.4
Business services	8.5	13.4	-2.5	-6.1	10.9	13.3
Energy, water and waste	-0.4	5.7	-3.3	-2.7	3.0	6.2
Construction	15.0	19.3	11.0	4.2	4.0	8.8
Total	6.7	11.1	3.1	-3.3	3.6	8.5

Source: NBB.

(1) Excluding trade in motor vehicles.

If the net working capital exceeds the net working capital needs, the operating requirements are fully met and the net cash position is positive. Conversely, if the working capital is insufficient to cover the deficit associated with the operating cycle, the net cash position is negative and the firm has to resort to short-term financial debts (in the form of an overdraft, a straight loan, etc.).

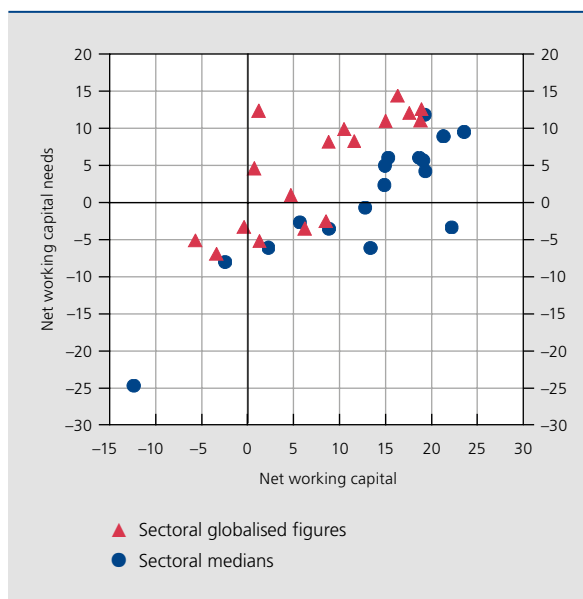
There are many ways in which a firm can optimise its cash position. For instance, the net working capital can be improved by increasing the capital, retaining earnings, converting short-term debts into long-term debts, or selling assets. The working capital need can be reduced by collecting trade receivables more quickly and/or taking longer to pay suppliers, while ensuring that trading relations are not threatened. Techniques such as factoring and discounting can be used for this purpose. The firm can also optimise its stock management, i.e. cut stock levels but without running out of goods.

First, we can see that the net working capital is positive in the great majority of branches. For non-financial corporations as a whole, the net working capital represents 6.7% of the balance sheet total in globalised terms and 11.1% in terms of medians. It should be noted that in a number of branches of activity the results are influenced by intra-group funding arrangements. For instance, the relatively substantial working capital in the pharmaceutical industry is due in particular to claims on affiliated firms for cash pooling purposes. Those claims inflate the “cash investments” item and consequently the net working capital. Conversely, low or negative working capital is due in some cases to short-term financial debts to affiliated firms, usually also for the purpose of cash pooling. In many cases those debts are regularly renewed, which explains why they are recorded as short-term debts even though they actually contribute towards the permanent funding of the recipient companies.

It must also be stressed that the net working capital can fluctuate considerably from year to year, depending on temporary cash flow conditions. For example, that is the case in the telecommunications branch: while this branch normally has positive globalised working capital, the figure was negative in 2013 on account of bank debts due for payment during the year, though they are almost certain to be renewed.

As pointed out above, the interpretation of the working capital depends largely on the corresponding working capital needs. In that regard, there is a very strong positive link between the two variables: the greater the need for net working capital in a branch of activity, the higher the net working capital of the branch (see chart 12). That is logical, as firms create a buffer for themselves according

CHART 12 RATIO BETWEEN NET WORKING CAPITAL AND NET WORKING CAPITAL NEEDS, BY BRANCH OF ACTIVITY
(in % of the balance sheet total, 2013)



Source: NBB.

to their needs. The correlation between the two figures is 0.87 for medians and 0.76 in globalised terms.

Overall, the statistics on working capital needs are in line with intuition. In industry and construction, the working capital need is positive and relatively substantial, owing to the length of the operating cycle and the resulting delays in collecting payment. The working capital need is also considerable in the motor vehicle trade and the wholesale trade, because they sometimes hold large stocks of expensive goods (technology products, motor vehicles, diamonds, etc). Conversely, most of the service branches have a negative net working capital need: in general, these branches feature a short operating cycle, prompt collection of payments, and negligible inventories.

In the retail trade the working capital need is only slightly negative, which may be surprising as mass retailing is generally cited as a typical example of a very negative need for working capital. This situation is due to the heterogeneity of the products sold and the selling methods used in retailing. If we isolate “retail trade in a non-specialist store selling mainly food, having an area of more than 400 m²”⁽¹⁾, which corresponds to what is commonly

(1) NACE-BEL codes 47.114 (“Retail trade in a non-specialist store selling mainly food, having a sales area of between 400m² and 2500m²”) and 47.115 (“Retail trade in a non-specialist store selling mainly food, having a sales area of 2500m² or more”).

known as a supermarket, the net working capital need comes to -11.6% in globalised terms and -19.1% in median terms.

The last part of table 5 shows the net cash position, i.e. the result of comparing the net working capital with the net working capital need. We find that the net cash position is positive in the great majority of cases, which means that, on the whole, the buffer that firms create enables them to cover their operating needs.

In globalised terms, chemicals and food are among the few branches with a negative net cash position; that is very largely due to short-term debts contracted by a few large firms for the purpose of intra-group cash pooling. As already mentioned, these debts artificially reduce the net working capital of the firms concerned, whereas they are in fact a source of recurrent funding. In median terms, the net cash position is positive in all the branches studied. However, this favourable picture indicated by the median should not conceal the fact that a significant number of firms are in a less enviable position: every year, just under

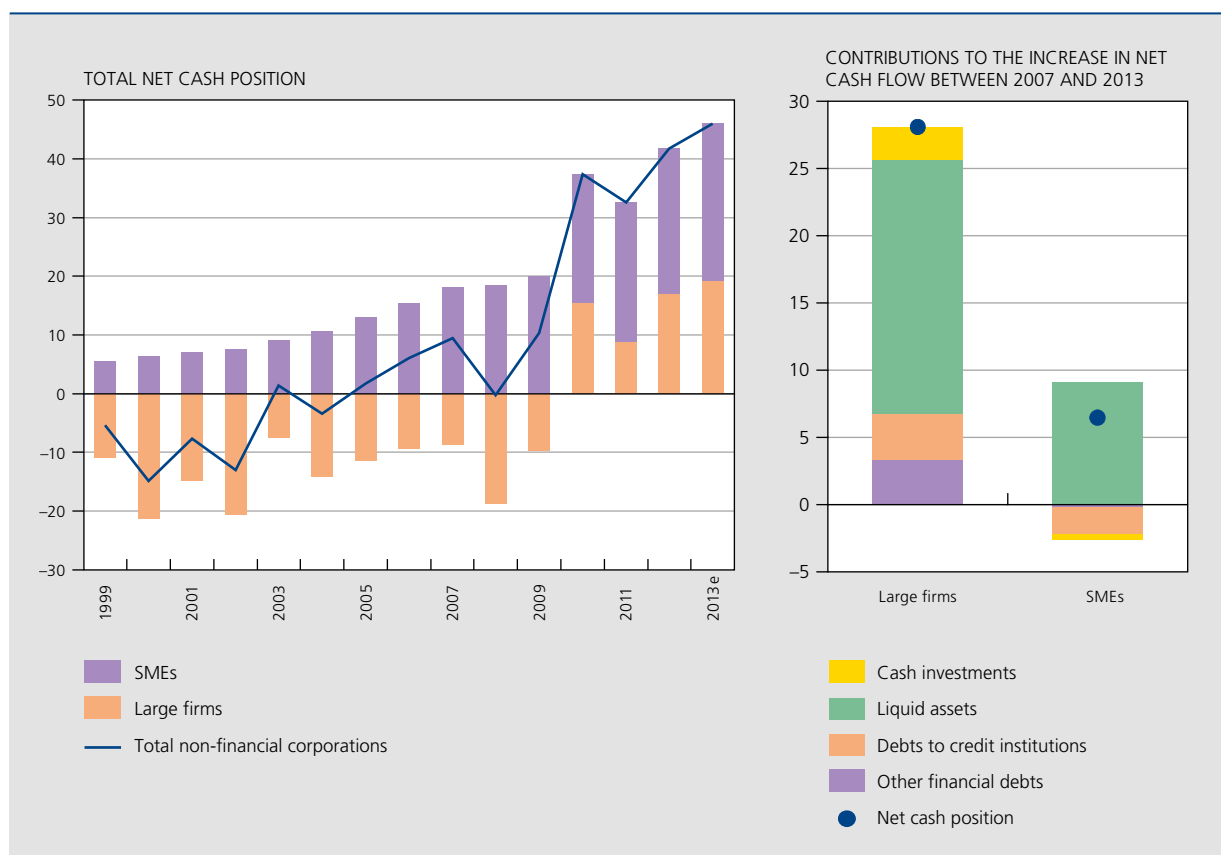
20% of the companies considered have a negative cash position.

3.3.3 Trend in the net cash position

Since the outbreak of the financial crisis, the net cash position of companies has ballooned from €9.5 billion in 2007 to €46.2 billion in 2013 (see chart 13). The expansion applies to both large firms and SMEs, and to the great majority of branches of activity studied (see Annexes 5 and 6). In general, this reflects increased prudence on the part of firms wishing to hold more substantial liquid reserves in order to cope with the uncertain economic conditions and the limits on borrowings. The expansion of the cash position is also the corollary to the drastic reduction in investment projects. That is reflected partly in the decline in the new tangible fixed asset ratio (see section 2.2).

Statistical analysis of the trend in the net cash position is particularly difficult because it involves a combination of complicated factors such as corporate results, periods for

CHART 13 TREND IN THE NET CASH POSITION
(in € billion)



Source: NBB.

the realisation of short-term assets and liabilities, investment flows and the capital remuneration policy. Such an analysis is beyond the scope of this article and should be conducted at least at the level of each branch of activity. However, a number of general findings can be stated.

In large firms, the net cash position increased by € 28 billion between 2007 and 2013. It should be noted that, considered overall, the net cash position of large firms was negative until 2009. That situation was due mainly to the size of the other short-term financial debts which, as already stated, mainly comprise intra-group borrowings renewed on a regular basis. This funding method concerns a small number of large or very large companies, so that most large firms have a positive cash position. The main contributions to the growth of the net cash position of large firms come from components independent of intra-group funding: liquid assets were decidedly predominant (+ € 19 billion), ahead of debts to credit institutions, other financial debts and cash investments.

In the SME group, the net cash position has increased by € 9 billion since 2007 to € 19 billion in 2013. Liquid assets are the only component to have increased (+ € 11 billion), while debts to credit institutions made a negative contribution of € 3 billion and the other components had virtually no impact. We also find that SMEs have very few other short-term debts, which is logical since the vast majority of SMEs are not members of a group.

Finally, as is evident from chart 14, the net cash position as a percentage of the balance sheet total has pursued an upward trend over the long term, particularly in globalised terms: in the space of fifteen years the globalised ratio increased from 5.6% to 11.4% for SMEs and from -3.0% to 1.3% for large firms. The trend in medians was less marked, especially in the case of large firms, for which the median remained very stable over the period, indicating that most large firms were not involved in the increase. The last point to note is that the cash ratio is structurally lower for large firms: apart from the intra-group funding of large firms which has already been mentioned, this situation is due mainly to a sounder basis requiring fewer precautions in terms of liquidity.

Conclusion

Over the year 2013 as a whole, the total value added created by non-financial corporations increased by 2.0% at current prices. That is a slight improvement on 2012, when value added grew by 1.4%. This came about despite the erosion of sales (-1.0%), as total purchases recorded a larger fall (-1.7%) owing to such factors as the decline in prices of industrial commodities, energy and food.

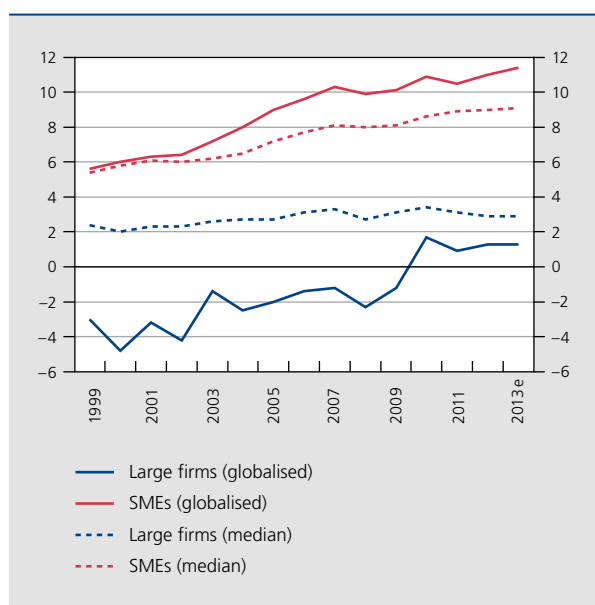
At the same time, the rise in staff costs was smaller because inflation subsided. Depreciation slowed down again, reflecting an investment policy which has become much more conservative since the outbreak of the financial crisis. In that regard, the tangible fixed asset renewal ratio has fallen very steeply in recent years, and is now well below its long-term average.

Total operating costs, which are largely determined by staff costs and depreciation, were up by 2.1% in 2013; this controlled rise was very similar to the growth of value added. Following these movements, there was a very modest improvement in the net operating result (+1.8%) which totalled € 31 billion in 2013, thus ending a period of erosion in both 2011 (-1.7%) and 2012 (-5.9%).

According to most of the criteria considered, profitability was down again in 2013. The profit ratios of large firms were particularly hard hit by the recent fluctuations in activity, so that they are now at their lowest level for ten or even fifteen years. That finding holds for almost all branches of activity considered. Overall, SME profitability has been more resilient, as SMEs are less concentrated on industrial activities and international trade.

Corporate financial independence has been relatively stable for the past two years, owing to the reduced

CHART 14 NET CASH POSITION AS A PERCENTAGE OF THE BALANCE SHEET TOTAL (%)



Source: NBB.

attraction of the notional interest scheme (rate ceiling and reduction, abolition of postponement option). However, the picture varies from one branch of activity to another. Thus, in the case of head office activities, which comprise companies generally providing internal banking or cash management services for corporate groups, financial independence has diminished during the last few years under review, as these companies have become less inclined to hold their capital in Belgium. That development is reflected, for instance, in the statistics on net capital contributions based on the *Moniteur belge*: net contributions were negative in both 2012 and 2013, whereas they had been systematically positive in previous years, and actually reached record levels after entry into force of the notional interest scheme.

Analysis of the financial structure also shows a reallocation of external funding sources. Between 2008 and 2013, bank debts as a share of financial debts in fact dropped from 44.7 % to 34.3 %, while the share of bonds rose from 4.1 % to 10.5 %. Factors influencing this shift in the funding structure included the tightening of bank lending conditions and the renewed attractions of corporate bonds, as they offer better yields than sovereign bonds.

The last part of the article examines recent trends affecting corporate cash flows. The first point to emerge is that net cash positions have expanded strongly since the

outbreak of the financial crisis, rising from € 9.5 billion in 2007 to € 46.2 billion in 2013. This increase reflects greater prudence on the part of firms, which want more substantial liquid reserves in order to cater for an uncertain economic context and the limitations of external funding. The cash flow expansion is also the corollary to the drastic reduction in corporate investment projects. The analysis likewise shows that the proportion of the cash held in liquid assets has risen sharply since 2008, mainly at the expense of term accounts, which have become less attractive since the start of the financial crisis.

Finally, the article offers a sectoral analysis of the concepts of net working capital and net working capital need. Statistically, there is a very strong positive link between the two variables: the greater the need for net working capital in a branch of activity, the higher the net working capital. That is logical, as firms build up a buffer according to their needs. It is also evident that the working capital is positive and relatively substantial in industry and construction, owing to the length of the operating cycle and the resulting time lag before payment is received. Conversely, most service branches have a negative need for working capital because, on the whole, these branches have a brief operating cycle, with speedy collection of payment and negligible inventories. The specific character of mass retailing is also very evident in a working capital need which is among the most negative in the Belgian economy.

Annex 1

SECTORAL GROUPINGS

	NACE-BEL 2008 divisions
Manufacturing industry	10-33
of which:	
Agri-food industries	10-12
Textiles, clothing and footwear	13-15
Wood, paper products and printing	16-18
Chemicals industry	20
Pharmaceuticals industry	21
Metallurgy and metalworking	24-25
Metal manufactures	26-30
Non-manufacturing branches	01-09, 35-82, 85.5 and 9⁽¹⁾
of which:	
Trade in motor vehicles	45
Wholesale trade ⁽²⁾	46
Retail trade ⁽²⁾	47
Transportation and storage	49-53
Accommodation and food service activities	55-56
Information and communication	58-63
Real estate activities	68
Business services ⁽³⁾	69-82
Energy, water supply and waste	35-39
Construction	41-43

(1) Except 64, 65, 70100, 75, 94, 98 and 99.

(2) Excluding motor vehicles and motor cycles.

(3) Excluding head office activities (70100).

Annex 2

DEFINITION OF THE RATIOS

	Item numbers allocated	
	in the full format	in the abbreviated format
1. Ratio of new tangible fixed assets		
Numerator (N)	8169 + 8229 – 8299	8169 + 8229 – 8299
Denominator (D)	8199P + 8259P – 8329P	8199P + 8259P – 8329P
Ratio = N/D × 100		
Conditions for calculation of the ratio:		
12-month financial year		
8169 + 8229 – 8299 > 0 ⁽¹⁾		
2. Net margin on sales		
Numerator (N)	9901 + 9125	9901 + 9125
Denominator (D)	70 + 74 – 740	70
Ratio = N/D × 100		
Condition for calculation of the ratio:		
Simplified format: 70 > 0		
3. Net return on operating assets		
Numerator (N)	9901	9901
Denominator (D)	20 + 21 + 22/27 + 3 + 40/41 + 490/1	20 + 21 + 22/27 + 3 + 40/41 + 490/1
Ratio = N/D × 100		
Conditions for calculation of the ratio:		
12-month financial year		
20 + 21 + 22/27 + 3 + 40/41 + 490/1 > 0 ⁽¹⁾		
4. Return on equity, excluding exceptional result		
Numerator (N)	9904 – 76 + 66	9904 – 76 + 66
Denominator (D)	10/15	10/15
Ratio = N/D × 100		
Conditions for calculation of the ratio:		
12-month financial year		
10/15 > 0 ⁽¹⁾		
5. Net return on total assets before tax and debt servicing, excluding exceptional result		
Numerator (N)	9904 + 650 + 653 – 9126 + 9134 – 76 + 66	9904 + 65 – 9126 + 67/77 – 76 + 66
Denominator (D)	20/58	20/58
Ratio = N/D × 100		
Condition for calculation of the ratio:		
12-month financial year		
6. Degree of financial independence		
Numerator (N)	10/15	10/15
Denominator (D)	10/49	10/49
Ratio = N/D × 100		

(1) Condition valid for the calculation of the median but not for the globalised ratio.

DEFINITION OF THE RATIOS (continued)

	Item numbers allocated	
	in the full format	in the abbreviated format
7. Average interest expense on financial debts		
Numerator (N)	650	
Denominator (D)	170/4 + 42 + 43	
Ratio = $N/D \times 100$		
Condition for calculation of the ratio:		
12-month financial year		
8. Net cash position as a percentages of the balance sheet total		
Numerator (N)	50/53 + 54/58 – 43	50/53 + 54/58 – 43
Denominator (D)	10/49	10/49
Ratio = $N/D \times 100$		

(1) Condition valid for the calculation of the median but not for the globalised ratio.

NUMBER OF NON-FINANCIAL CORPORATIONS, BY BRANCH OF ACTIVITY

(situation at 10 September 2014)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	p.m. 2013
Manufacturing industry	21 448	21 516	21 756	22 001	21 848	22 000	21 641	22 303	22 149	17 327
of which:										
Agri-food industries	3 615	3 712	3 776	3 823	3 786	3 816	3 767	3 898	3 875	2 956
Textiles, clothing and footwear	1 849	1 777	1 745	1 734	1 657	1 625	1 544	1 549	1 517	1 180
Wood, paper and printing	3 879	3 851	3 886	3 869	3 812	3 771	3 671	3 722	3 690	2 898
Chemicals industry	636	626	627	640	646	635	629	651	635	522
Pharmaceuticals industry	124	119	129	130	134	133	132	140	142	121
Metallurgy and metalworking	4 125	4 257	4 378	4 476	4 513	4 580	4 536	4 692	4 647	3 622
Metal manufactures	2 479	2 448	2 442	2 493	2 466	2 493	2 453	2 534	2 500	1 999
Non-manufacturing branches	243 910	252 055	261 452	270 998	279 178	291 457	296 352	314 174	319 164	247 077
of which:										
Trade in motor vehicles	10 450	10 499	10 706	10 873	10 632	10 833	10 703	11 175	11 174	8 129
Wholesale trade ⁽¹⁾	33 082	32 819	32 990	33 339	32 938	33 094	32 759	33 453	33 061	26 092
Retail trade ⁽¹⁾	32 764	33 891	34 775	35 638	35 476	36 443	36 321	38 234	38 181	27 614
Transport and storage	9 916	10 219	10 517	10 873	10 937	11 185	11 009	11 387	11 315	8 515
Hotels, restaurants and catering	16 259	17 390	18 173	18 854	18 702	19 436	19 449	20 920	20 884	13 617
Information and communication	11 623	12 269	12 841	13 537	14 290	15 135	15 699	16 903	17 553	14 606
Real estate activities	27 125	27 152	27 903	27 835	29 535	30 958	31 748	33 204	33 539	27 225
Business services	51 773	54 392	57 409	60 388	63 992	67 991	70 802	76 135	79 051	65 321
Energy, water and waste	959	974	1 008	1 063	1 133	1 202	1 293	1 416	1 491	1 275
Construction	30 605	32 524	34 525	37 027	38 545	40 999	41 840	45 130	46 397	34 878
Total	265 358	273 571	283 208	292 999	301 026	313 457	317 993	336 477	341 313	264 404

Source: NBB.

(1) Excluding trade in motor vehicles.

Annex 4

RATIO OF NEW TANGIBLE FIXED ASSETS, BY BRANCH OF ACTIVITY

(in %)

	2007	2008	2009	2010	2011	2012	2013 e
Manufacturing industry	28.1	27.0	22.2	20.2	22.3	24.0	21.2
of which:							
Agri-food industries	26.7	26.2	28.4	21.7	21.8	21.5	21.9
Textiles, clothing and footwear	25.5	24.9	17.8	18.5	22.8	21.6	23.2
Wood, paper and printing	26.8	25.1	19.4	18.5	16.9	18.6	17.9
Chemicals industry	29.0	22.6	14.9	18.8	23.4	31.4	22.5
Pharmaceuticals industry	33.5	30.6	37.9	22.9	25.8	25.2	22.7
Metallurgy and metalworking	26.8	27.1	19.9	18.6	21.3	20.2	17.1
Metal manufactures	30.3	33.1	22.8	21.2	21.7	20.7	17.5
Non-manufacturing branches	22.0	25.4	18.7	16.5	18.4	16.1	15.5
of which:							
Trade in motor vehicles	27.8	24.5	20.6	23.9	23.2	21.3	18.9
Wholesale trade ⁽¹⁾	30.2	28.4	21.9	21.9	23.9	22.5	21.7
Retail trade ⁽¹⁾	26.5	26.1	22.3	22.1	23.4	23.9	20.9
Transport and storage	25.0	48.5	19.0	14.9	16.6	12.6	17.5
Hotels, restaurants and catering	20.1	19.6	15.4	15.9	16.0	15.6	12.1
Information and communication	25.0	31.1	21.1	18.7	24.0	24.9	28.0
Real estate activities	11.4	11.3	10.6	9.8	13.1	9.9	9.9
Business services	38.7	37.6	27.3	26.8	31.4	28.6	24.1
Energy, water and waste	12.4	13.1	17.4	13.0	11.8	10.8	7.6
Construction	32.9	34.0	27.0	22.9	25.7	20.9	17.7
Total	23.0	25.6	19.3	17.0	19.0	17.2	16.3

Source: NBB.

(1) Excluding trade in motor vehicles.

Annex 5

COMPONENTS OF THE NET CASH POSITION

(in € million)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 e
Large firms										
Cash investments	25 496	33 871	36 414	40 932	46 707	43 629	51 420	47 455	43 973	43 360
Own shares	846	1 097	1 445	869	1 051	1 234	1 382	1 662	1 567	1 563
Shares and other equity	1 267	2 676	3 262	1 869	3 582	5 049	4 343	3 417	3 543	3 540
Fixed-income securities	3 408	3 753	3 343	2 785	4 856	5 187	4 922	5 606	4 793	4 639
Term accounts	14 399	15 397	15 945	19 780	19 664	17 628	20 556	20 327	18 217	18 567
Other cash investments	5 576	10 948	12 418	15 628	17 554	14 531	20 216	16 444	15 854	15 052
Liquid assets	14 468	16 092	18 124	20 039	21 212	25 565	30 338	30 039	35 285	39 012
Financial debts at up to one year	54 040	61 433	63 826	69 664	86 642	78 878	66 277	68 613	62 216	62 990
Credit institutions	21 536	26 916	29 568	29 787	40 608	32 765	25 244	25 609	27 342	26 431
Other financial debts	32 505	34 518	34 259	39 877	46 034	46 113	41 032	43 004	34 874	36 559
Net cash position	-14 076	-11 470	-9 289	-8 693	-18 722	-9 684	15 482	8 881	17 042	19 383
SMEs										
Cash investments	5 817	6 636	8 052	10 481	11 314	9 628	9 420	10 573	10 043	10 377
Liquid assets	12 627	14 799	16 574	17 700	17 894	21 619	23 759	25 087	26 788	28 598
Financial debts at up to one year	7 745	8 308	9 234	9 973	10 717	11 226	11 252	11 902	12 180	12 173
Credit institutions	6 762	7 291	8 090	8 796	9 581	9 938	10 057	10 626	10 814	10 793
Other financial debts	983	1 017	1 144	1 177	1 136	1 287	1 195	1 276	1 366	1 380
Net cash position	10 699	13 126	15 392	18 208	18 490	20 021	21 927	23 758	24 651	26 802

Source: NBB.

Annex 6

NET CASH POSITION, BY BRANCH OF ACTIVITY

(in € million)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Manufacturing industry	-16 959	-18 348	-13 915	-11 713	-19 342	-12 761	-5 906	-9 764	-4 124	-4 167
of which :										
Agri-food industries	-2 409	-2 129	-2 084	-3 829	-4 885	-3 148	-2 324	-3 454	-2 603	-2 194
Textiles, clothing and footwear	-46	-89	-118	-147	-362	-182	16	63	134	305
Wood, paper and printing	-774	-1 043	-767	-1 698	-1 593	-1 311	9	128	735	79
Chemicals industry	-7 297	-7 895	-10 028	-7 793	-8 966	-7 752	-7 370	-12 188	-7 493	-7 092
Pharmaceuticals industry	-2 775	1 871	2 008	4 429	4 264	3 427	4 243	4 659	4 123	3 201
Metallurgy and metalworking	-408	-896	-1 018	-488	-1 366	-1 511	-521	144	682	827
Metal manufactures	-287	150	2 524	1 266	1 307	1 529	2 808	2 910	2 220	2 467
Non-manufacturing branches	13 581	20 005	20 019	21 227	19 110	23 099	43 315	42 402	45 816	50 352
of which :										
Trade in motor vehicles	-331	-788	78	323	-531	370	664	795	591	1 042
Wholesale trade ⁽¹⁾	-2 144	-3 495	-4 596	-1 996	-3 811	-2 475	-235	469	752	2 509
Retail trade ⁽¹⁾	2 366	3 281	3 940	3 309	3 044	2 248	3 595	4 097	4 359	4 376
Transport and storage	-384	2 004	2 200	4 077	4 760	3 429	5 769	5 621	4 787	4 348
Hotels, restaurants and catering	97	44	-479	-573	-90	-122	58	97	236	683
Information and communication	2 879	2 420	1 934	1 318	419	-3 468	2 528	2 899	1 833	1 246
Real estate activities	275	1 627	2 734	3 254	2 173	2 165	3 210	3 571	3 935	3 024
Business services	3 166	3 075	4 680	6 406	7 418	9 573	10 669	9 605	13 707	16 152
Energy, water and waste	4 411	7 988	4 815	-1 254	-3 507	603	6 017	3 700	3 435	4 397
Construction	779	1 036	1 525	2 328	2 028	2 322	2 685	2 828	2 821	2 250
Total	-3 378	1 656	6 104	9 514	-232	10 338	37 409	32 638	41 693	46 185

Source : NBB.

(1) Excluding trade in motor vehicles.