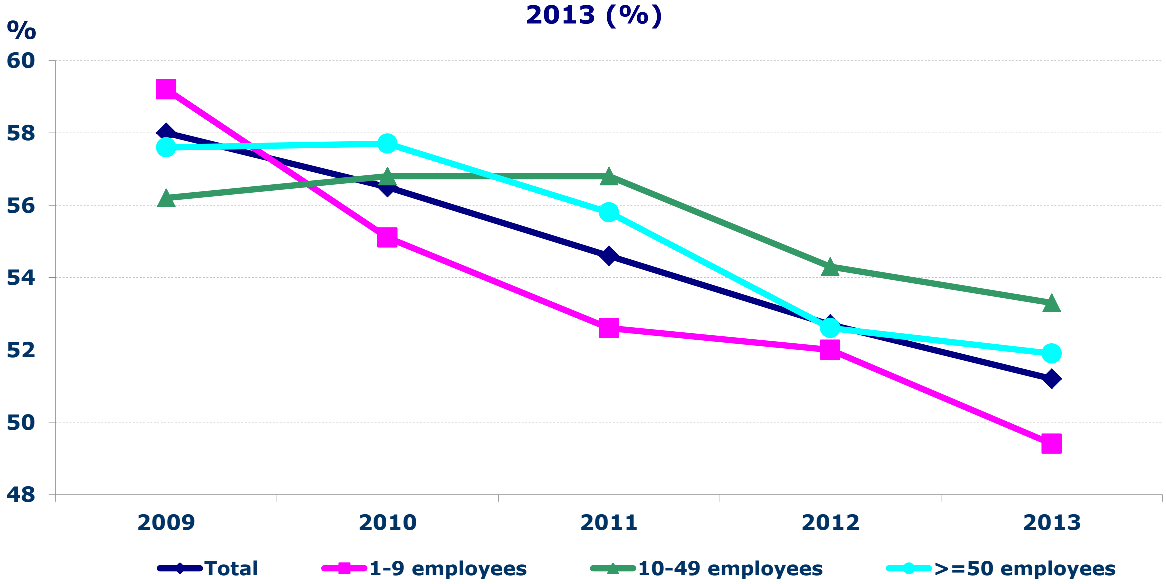
The debt of non-financial companies in the Basque Country has fallen to 51.2% of their assets in 2013

The Industry and Energy sector has the highest financial profitability, with 4.7%

The **Total Debt** of non-financial companies in the Basque Country, a ratio that shows the relationship between external funds and total resources, stood at 51.2% in 2013, according to data prepared by Eustat. This ratio shows that just over half of the assets are financed using borrowings. Compared to the previous year, it has decreased by 1.5 percentage points, with significant drops occurring among large companies (more than 249 employees) and micro-enterprises (fewer than 10 employees), with debt ratios of 48.8% and 49.4% in 2013, 2.9 and 2.6 percentage points less than in 2012, respectively.

Graph 1. Evolution of the total debt ratio by employment strata. Basque Country. 2013 (%)



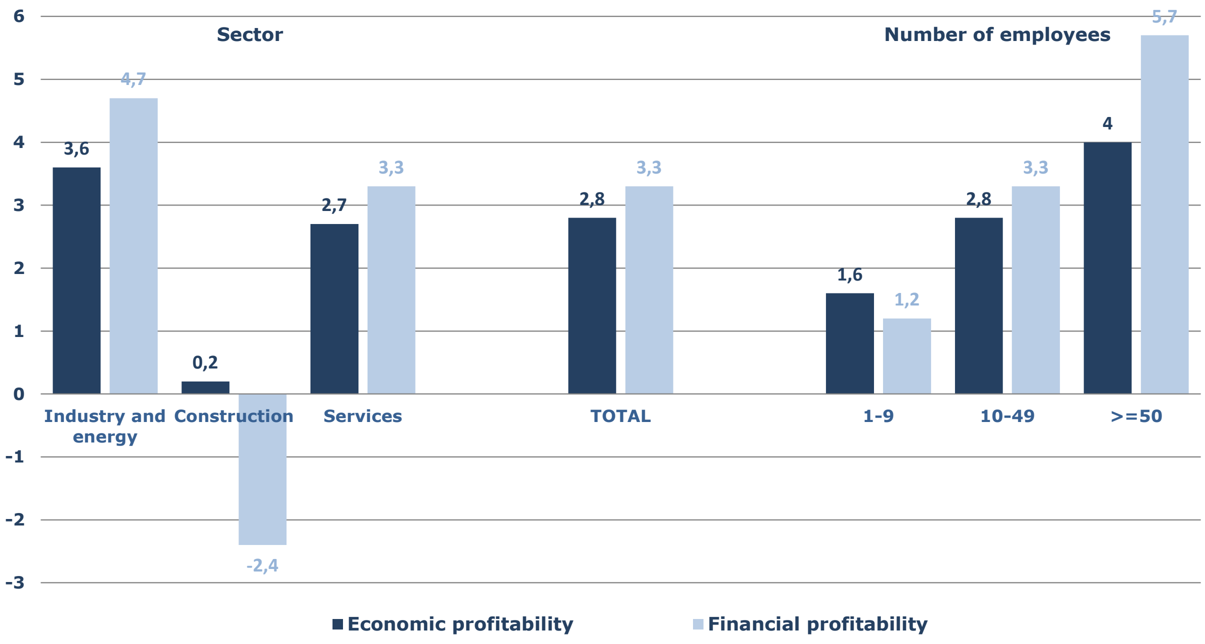
Source: Eustat. Equity accounts of non-financial companies

The small companies stratum (10 to 49 employees) saw a fall of 1.0 percentage point, with the debt ratio standing at 53.3%. The medium companies stratum (50 to 249 employees) is the only one whose debt ratio has grown compared to 2012, standing at 55.2%, 1.7 points higher than the previous year. By major sector, construction posted a debt ratio of 60.9%, industry 50.4% and market services 49.3%. A more detailed analysis shows that the Hotel Management and Catering industry has a debt level of 75.0%. At the opposite extreme was the sector of Water Supply, Purification and Waste & Decontamination Management, with a ratio of 32.7%.

Financial Profitability, which provides information on the average profit obtained by the company through its activity based on net equity, saw a negative trend over the last year, standing at 3.3%, 0.9 percentage points down on 2012. Companies with between 50 and 249 employees and those with more than 249 employees obtained the best ratio (5.7% and 5.6%, respectively). Micro-companies obtained the lowest (1.2%). By major sector, construction posted a profitability ratio of 2.4% in 2013, industry achieved the best result with 4.7% and market services, 3.3%.

The **Economic Profitability** ratio was 2.8% in 2013 and it gives the companies' average performance as a percentage of their total assets. This change in this ratio for companies as a whole was also negative, dropping from 3.3% in 2012 to 2.8% in 2013. By employment strata, it was larger companies (>= 250 employees) that had a higher profitability ratio of 4.4%. On the other hand, microenterprises, with a ratio of 1.6%, had the lowest economic profitability. The profitability of the Telecommunications sector stood out positively, with a ratio of 7.7%; whereas the ratio of the Other Services sector was notably poor, at -1.2%.

Graph 2. Ratios of economic profitability and financial profitability by activity sectors and employment strata. Basque Country. 2013 (%)



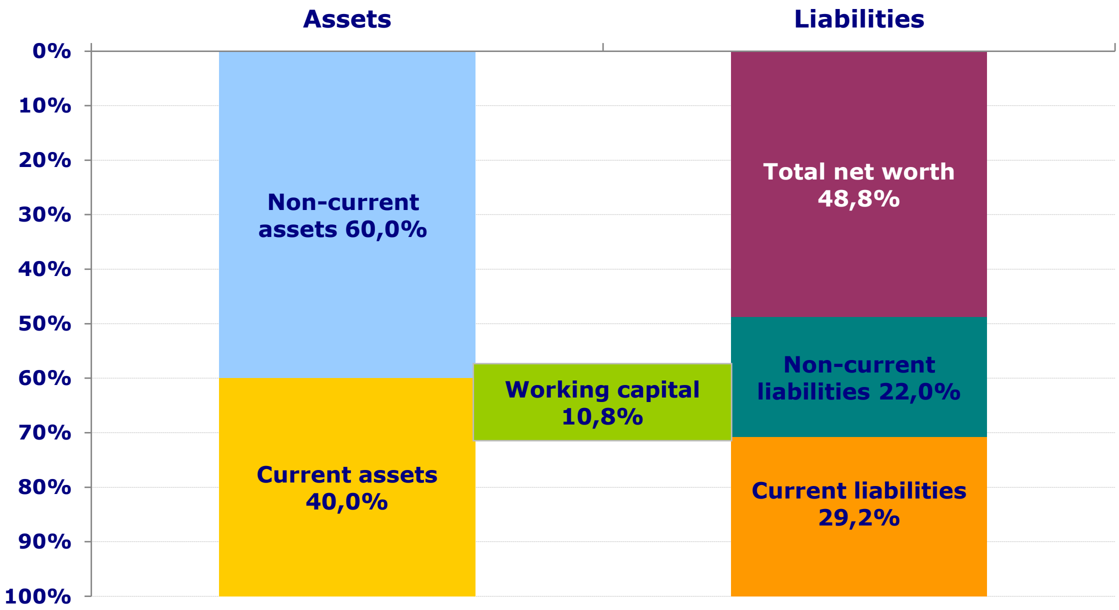
Source: Eustat. Equity accounts of non-financial companies

Financial Leverage, which analyses the impact of the financial structure of the company on its financial profitability, was positive for all employment strata and for the main activity sectors except Construction.

Estimated assets for non-financial companies as a whole in the Basque Country in 2013 were down 1.0% on the previous year and amounted to EUR 197,674 million.

Large companies of more than 250 employees were the most capital intensive in 2013, given that they accounted for 20.1% of the total assets of the economy with 12.4% of employment in that year. The remainder, accounting for 87.6% of employed people, held 79.9% of the assets. Within the small bracket, companies of between 1 and 9 employees held 40.6% of business equity and accounted for 42.8% of employed people.

Graph 3. Assets and Liabilities of non-financial companies of the Basque Country. 2013



Source: Eustat. Equity accounts of non-financial companies

In the distribution of assets by sectors, the importance of industry was made clear within the economy of the Basque Country. Thus, 39.7% of assets corresponded to the industrial sector, which generated 27.0% of employment, although it was market services that generated the greatest percentages, with 48.0% of equity and 64.3% of employment. Lastly, construction had 12.3% of assets and 8.7% of employment.

The positive difference between Current Assets and Current Liabilities, **Working Capital,** stands at EUR 21,423 million (10.8% of total assets), and is down 14.1% on 2012. This means that sufficient funds have been earned to cover specific short-term debts (payable in the short term), but to a lesser degree than in the previous year. However, as a result of the different balance sheet structures by business sectors, the working capital of companies in the construction sector accounted for 31.3% of its assets, whilst this figure stood at 6.5% for the industrial sector and 9.2% for the market services sector.

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