

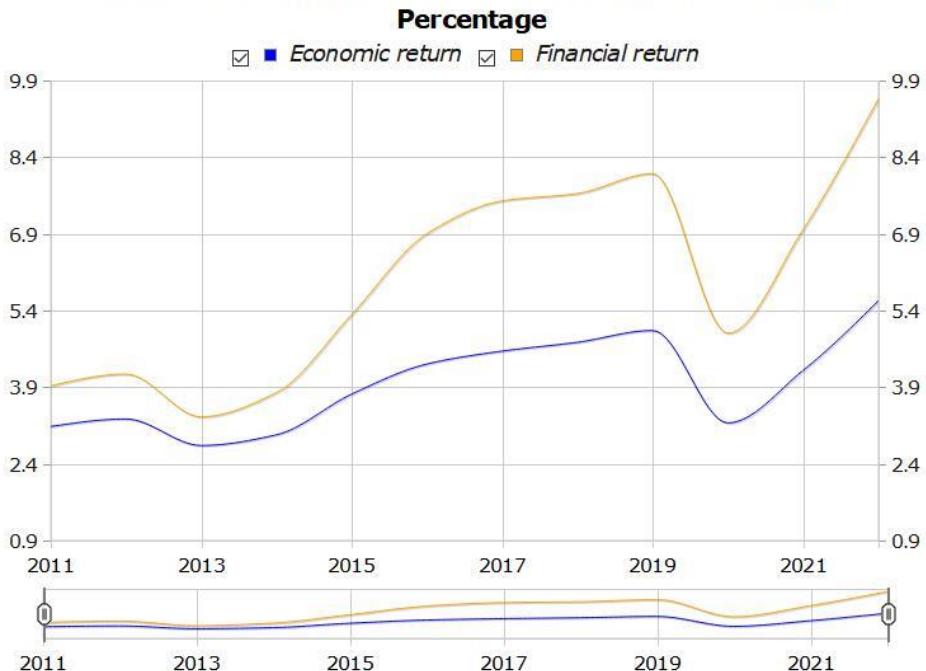
## The economic and financial profitability of non-financial companies in the Basque Country rose to record levels in 2022

***The capacity of companies to meet their short-term debts decreased by 1.9% in 2022***

In the Basque Country as a whole, the economic profitability of non-financial companies was 5.6% in 2022, while financial profitability stood at 9.5%, the best results since 2010, according to Eustat data.

These figures are up almost one and a half percentage points on those obtained in 2021 in the case of economic profitability, and as much as 2.5 points in the case of financial profitability.

### Economic and financial profitability ratios of the non-financial companies of the Basque Country



Source: Eustat. Equity accounts of non-financial companies

The **economic profitability** ratio provides information on the effectiveness of the company's management. Higher values mean that fewer assets are required to achieve greater profits.

The highest economic profitability corresponded to large companies – over 249 staff – which, with a significant increase of 3.8 points compared to 2021, obtained a ratio of 7.5%, the highest in the available historical series. It is also worth highlighting the performance of small businesses – 10 to 49 employees – with a ratio of 5.9% in 2022. The economic profitability of micro-enterprises – 1 to 9 people – stood at 4.4%, close to the 4.8% achieved by medium-sized companies – with 50 to 249.

Focusing on sectors of economic activity, they all obtained positive economic profitability in 2022, most notably *Telecommunications*, 17.9%, *Manufacture of pharmaceutical products*, 10.9% and *Healthcare activities*, 9%. At the other end of the scale, the lowest profitability was recorded, again, by *Research and development* (0.1%) and *Arts, recreation and entertainment activities* (1.4%).

In the year-on-year trend, it is worth noting the positive performance of the sectors *Telecommunications*, *Extraction industries*, *Electricity, gas, steam and air conditioning supply* and *Manufacture of transport equipment*. The first and second of these had experienced negative ratios in 2021, -3.8% and -0.2%, respectively, which turned into ratios of 17.9% and 3.8% in 2022, following a spectacular one-year increase of 21.7 percentage points, in the case of *Telecommunications*, and 4 percentage points, in the case of *Extractive industries*. For their part, the *Electricity, gas, steam and air conditioning supply* and *Manufacture of transport equipment* sectors grew by 2.6 and 2.5 percentage points, respectively, in the last year, rising to 7.1% and 4.5%.

In 2022 **financial profitability** increased by 2.5 percentage points, standing at 9.5%. The financial profitability ratio reflects a company's capacity to pay its owners or shareholders.

Taking company size into account, the pattern for financial profitability was similar, as small companies recorded profitability of 10.4% and large companies 13.9%, compared to a financial profitability of 6.7% for micro-enterprises and 8.8% for medium-sized companies. It is worth stressing the notable increase in this ratio for large companies, with a rise of 8 percentage points in just one year and, to a lesser extent, small companies, with 2.5 percentage points. Micro enterprises and medium-sized companies posted an increase of 0.2 percentage points each.

For this indicator, sector-level analysis revealed highly heterogeneous situations. Six sectors obtained financial profitability of more than 13%: *Telecommunications*, 47.4%, *Manufacture of rubber, plastic and other non-metallic mineral products*, 16.3%, *Manufacture of pharmaceutical products*, 15.2%, *Chemical industry*, 14.7%, *Healthcare activities*, 13.8% and *Wholesale and retail trade; repair of motor vehicles and motorcycles*, 13.6%.

A further group of seven sectors, belonging to a wide range of activities, had an average financial profitability of 10% or more: *Manufacture of transport equipment*, *Manufacture of base metals and metal products, excluding machinery and equipment*, *Hospitality*, *Electricity, gas, steam and air conditioning supply*, *Timber, paper and graphic arts*, *Manufacture of Computer, Electronic & Optical Products and Manufacture of furniture; other manufacturing industries; repair and installation of machinery and equipment*, with profitability between 12.8% and 10.2%.

The remaining activities registered below-average, but positive, profitability, except for the *Research and development* sector, which had negative financial returns, standing at -0.4%.

**In 2022, current assets of non-financial companies grew by 7.2%, with a 3.2% increase in total assets**

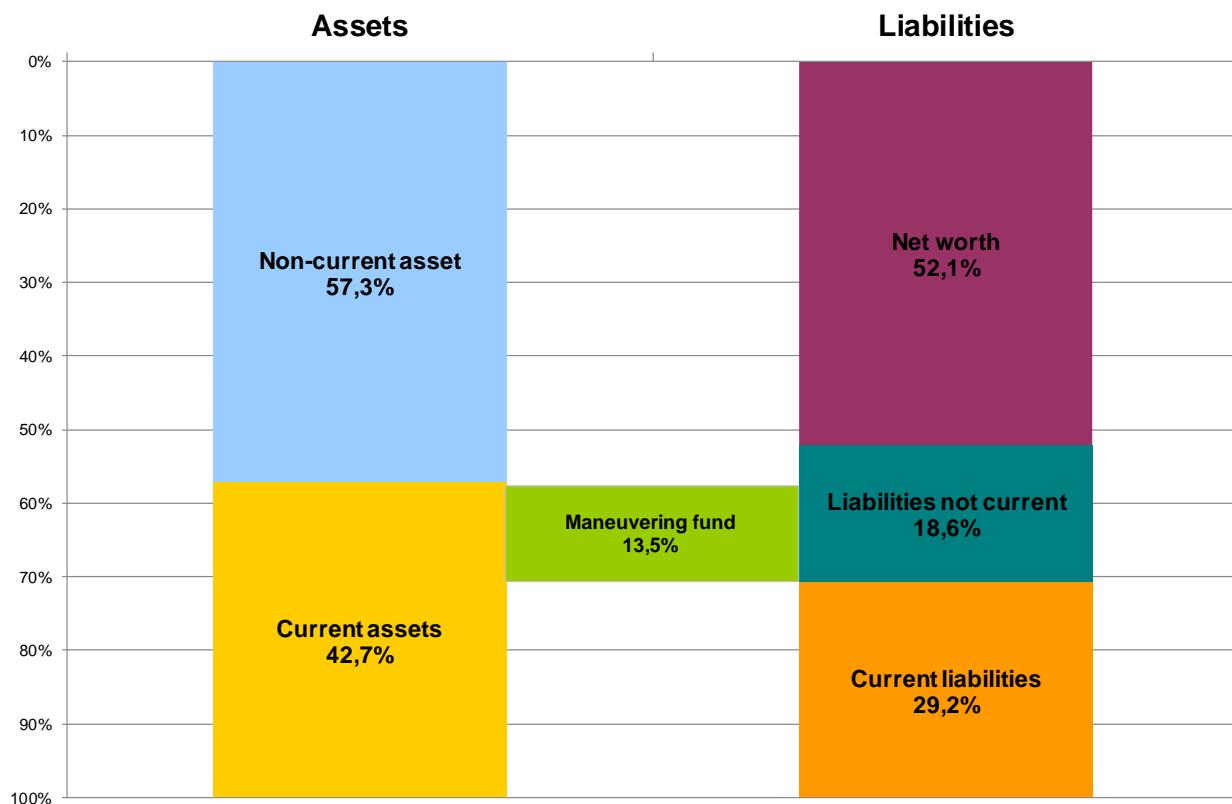
The analysis of the structure of **assets and liabilities** in the 2022 tax year provided more detailed information on non-financial companies in the Basque Country.

The accumulated asset value of non-financial Basque companies, with a total nominal value of 234,173 million euros, rose by 3.2% compared to 2021.

Fixed or non-current assets (resources that benefit the company in the long-term, such as intangible and tangible fixed assets, investments in property and group companies or long-term financial investments, among others) were the most significant group. They amounted to 134,112 million euros and represented 57.3% of total assets.

Current assets (company assets that can be liquidated, i.e. converted into cash, in less than twelve months) accounted for the remaining 42.7%, with 100,061 million euros. With this trend, fixed assets increased by 0.4% compared to 2021, while current or floating assets were up 7.2%. As a result of the combined trend in both stocks, total assets grew by 3.2% in relation to the previous year.

### Assets and liabilities of non-financial companies in the Basque Country. 2022



Source: Eustat. Equity accounts of non-financial companies

In turn, within liabilities and net equity as a whole, the share of own resources or net equity reached a total of 122,111 million euros and represented 52.1% in 2022, 3.3% higher than the figure recorded in 2021. Liabilities represent a company's financial obligations, while net equity is the total amount of financial resources available.

Short-term debts or current liabilities as a whole, with a total value of 68,428 million euros, amounted to 29.2%, registering a positive variation of 12.0% in the past year.

However, long-term debts or non-current liabilities, standing at 43,634 million, fell by 8.2% in the past year, accounting for 18.6% as a whole. Non-current liabilities consist of long-term debts and obligations, i.e. those with a maturity of more than one year.

***The capacity of companies to meet their short-term debts, working capital, decreased by 1.9% in 2022***

With these results, **Working Capital**, a company's capacity to meet its short-term debts, which is calculated as the difference between current assets and current liabilities, was positive and stood at 31,633 million euros (13.5% of total assets), 1.9% lower than in 2021.

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**For further information:**

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