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Performance of Commercial Companies in 2006 – Overview by Economic Activity

Working paper no. 12/2007, vol. XVI

Summary

This working paper analyses the statistical data from commercial companies' balance sheets and profit and loss accounts, focusing on individual activities of the Slovenian economy. We are interested in the main characteristics of companies' financial performance, with an emphasis on the factors that influence value added growth and the competitiveness of individual activities. Additionally, we monitor the most important structural changes in the economy, such as the increase of the share of high-tech activities in manufacturing value added. The period analysed is mainly 2006, while long-term comparisons cover the period since 2002.

The financial performance of Slovenian commercial companies improved substantially in 2006. The increase in overall net profit (profits less losses) was mainly due to higher gross operating profit, furthermore, the financial and other revenues to expenditures ratio improved, as well. As a result, profitability indicators (return on capital, sales, and assets) rose sharply. These sound performances were mainly influenced by favourable international economic trends, which spurred the growth rate of sales in foreign markets (especially in manufacturing industries and certain services), but also by the high level of activity in the construction sector, which increased the sales revenues realised in the domestic market. Changes in individual costs to turnover ratios were favourable in terms of Slovenian companies' cost competitiveness. The relative share of labour costs declined substantially in 2006. The same occurred regarding unit labour costs (after a modest increase in 2005), the most pronounced declines were recorded in manufacturing and construction, as both industries were influenced by a sharp increase in productivity. Also, the relative share of material costs, which was on upward trend in the period 2004-2005, stopped increasing last year. The material costs to turnover ratio is the highest in export-oriented manufacturing industries. Nevertheless, the purchase value of the goods to turnover ratio kept rising last year (the relative share of goods' purchase value reached the highest % of turnover in service industries). The analysis of changes in the value added structure indicates an increase in high-tech industries' share in manufacturing, after declining in 2004 and 2005. However, the share of medium low-tech industries is still rising at the fastest pace, which is not adequate in terms of boosting the competitiveness of manufacturing industries. In the financial structure of Slovenian companies the share of debt continued to increase in 2006. As the debt to liabilities ratio increased further last year, while interest rates were declining at a slower pace, we witnessed a slight increase in the financial charges (interest paid on loans) to turnover ratio in manufacturing; however, in services financial charges were still growing at a slower pace than turnover.

The whole text is available in Slovenian language on <http://www.gov.si/umar/public/dz.php>.