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Performance of Commercial Companies in 2010 – Overview by Economic Activity

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## Summary

This working paper analyses business results of Slovenian commercial companies using statistical data from companies' balance sheets and profit and loss statements. Following the revision of NACE classification in 2008, the period covered in the analysis is 2008–2010, where the main focus is given to changes in business results during the last year (2010). Commercial companies analysed in the paper are responsible for around 55 % of total value added and approximately two thirds of total employment in the Slovenian economy.

Deterioration of business results that started with the onset of financial and economic crisis in 2008 continued also in 2010, when the overall net business result (profits minus losses) of commercial companies was negative for the first time since 2001. This was mainly due to bigger net financial loss, while net operating surplus remained almost unchanged in 2010 after it had decreased considerably in 2009. Net financial loss has been characteristics of commercial companies operation since the beginning of the crisis in 2008, when financial loss resulted from huge deterioration in the values of stocks, company's shares and other financial assets. In 2010 and 2011 when the crisis spread to the whole real sector, some large companies (predominantly from construction, telecommunications, real estate activities and holding companies) recorded huge financial expenditures due to impairments and reliefs of financial assets. Worsening of operation expenditures to revenues ratio which took place in almost all sectors (NACE 1st digit level) in 2009, still continued in one third of all sectors last year, especially in construction, ICT activities, real estate activities and in hotels and restaurants (if we consider only the most important sectors according to their share in total value added). On the other hand, transport and storage sector recorded the most prominent improvement of its operation and is the only sector where net operation profit went back to 2008 level.

Employment was still on the downward trend in 2010 which together with slightly positive growth rate of value added brought to the reduction of average unit labour costs in commercial companies after two years of opposite trends. Looking at the sectoral level, approximately half of sectors recorded improvement of cost competitiveness measured with unit labour costs last year after it had been worsening in the majority of sectors since the beginning of the crisis. However in some sectors, especially in construction but also in water supply and waste management, in hotels and restaurants and in wholesale and retail trade unit labour costs increased further. In construction, wholesale and retail trade and in hotels and restaurants this was to a large extent due to the increase of minimum wage (in March 2010) in conditions of rather low or even decreasing economic activity.

Average indebtedness (the share of debt in total liabilities) of commercial companies, which increased considerably in particular during the period of economic expansion from 2005 to 2008, decreased slightly last year, however, it has remained relatively high. Furthermore, the majority of debt decrease resulted from huge cut of debt to liabilities ratio in a few sectors, while a lot of sectors recorded further increase. Among those sectors in particular construction stands out as the average indebtedness of commercial companies in construction is already very high.