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Performance of Commercial Companies in 2011 – Overview by Economic Activity

Working Paper 8/2012, Vol. XXI

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 2008–2011, where the main focus is given to changes in business results during the last year (2011). Commercial companies analysed in the paper are responsible for approximately half of total value added and two thirds of total employment in the Slovenian economy.

In 2011 business results of Slovenian commercial companies improved slightly for the first time since the onset of economic crisis in late 2008. However, net profit (profits minus losses) of commercial companies was still rather low, similar to that reached in 2009 when business results already considerably worsened due to the crisis. It amounted only to slightly more than one tenth of net profit recorded in 2007 (the year when business results recorded the highest level in the previous decade). Last year's slight improvement of business results predominantly came from: (i) increase in net operating profit and (ii) decrease of net financial loss. But despite the latter, net financial loss still represented a relatively large share in the structure of overall companies' business result because of the persisting high level of financial expenditures, especially those related to bank loans, impairments and reliefs of financial assets, while financial revenues decreased further. Operating revenues to expenditures ratio improved last year (on average) in the majority of nonfinancial private sector industries (NACE 1st digit level). However, it exceeded the pre-crisis level only in transportation and storage and it was close to it in manufacturing, while it lagged behind 2008 level the most in construction and in some industries where in the pre-crisis period the growth was predominantly linked to domestic construction boom (professional, scientific and technical services, real estate activities). Trade sector which was hit by the crises indirectly via severe labour market situation and related lower

household demand is the only relatively large industry (according to employment and value added) where the ratio in 2011 worsened (for the second year in a row).

Business results during the last two-year period were positively impacted by increasing export revenues, however, relatively high cost pressures arising from deteriorated terms of trade and relatively high level of labour costs limited export lead recovery. As regards operating revenues, export revenues last year increased considerably for a second consecutive year. They exceeded the 2008 level for 5 % while revenues from sales on domestic market were still 11 % below that level. Nevertheless, an average improvement of operating revenues to expenditures ratio was rather weak, as on the other hand relatively large terms of trade deterioration pushed up costs of material and goods to operating revenues ratio. Labour costs to operating revenues (and to value added) ratio decreased modestly last year as it did in 2010, however, it was still considerably higher than in 2008. This can be explained by slow labour costs adjustment to lower economic activity (especially in industries with relatively high share of low paid jobs) due to the legal increase of minimum wage which took place at the beginning of 2010.

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 in 2011 for a second consecutive year, however, it remained relatively high. One should also pay attention to the fact that the biggest part of debt to liabilities ratio decrease in the last two year period (2010–2011) resulted from the impact of one off factors in 2010 in two industries (transportation and storage, water supply and waste management). In majority of other industries the indebtedness increased further in 2010 and slightly fell only in 2011. Among them, the construction as the most indebted industry also recorded some decrease of debt to liabilities ratio last year.

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