

26 September, 2014

Enterprises in Portugal 2004-2013

GVA of non-financial enterprises slightly increased and number of persons employed decreased

In 2013, there was a nominal growth of some of the main economic indicators, such as Gross Value Added (+0.5% comparing to 2012) and the gross operating surplus (+4.5% comparing to 2012). Nonetheless, the number of enterprises in Portugal and the number of persons employed have decreased again in 2013 (-0.7% and -2.2%), although less than the observed in the previous year.

The ten years between 2004 and 2013 can be divided into two different stages. On the first half, between 2004 and 2008, the turnover and the GVA have increased in all sectors, while on the second, from 2009 to 2013 there was an opposite trend, with the decrease of the main economic indicators in almost all sectors. Nonetheless, between 2009 and 2013, the increase in the apparent labour productivity of large companies and of exporting companies is highlighted. In 2013 there were more exporting companies than in 2008, with a greater weight in the turnover and GVA generated.

Statistics Portugal disseminates the preliminary data of the Integrated Business Accounts System (IBAS) for the reference year 2013.

The study is divided into four segments: on the first, the main economic indicators of enterprises in 2013, and their evolution from previous year, are presented. On the second part, attending to the recessive context of the Portuguese economy, an analysis of the main results of the non-financial sector is presented to a broader time series, from 2004 to 2013. On the third part, emphasis is given to non-financial companies and their behaviour in two distinct periods: 2008, marking the beginning of the financial and economic crisis, and 2013, now presented. Finally, the concentration of the business sectors in 2013 is analyzed, through the concentration ratio and the Herfindahl-Hirschman Index.

POSITIVE PROGRESS OF THE GVA AND GOS OF NON-FINANCIAL ENTERPRISES IN 2013

The number of enterprises and persons employed in the Portuguese non-financial sector decreased again (-0.7% and -2.2% in 2013, -4.4% and -6.0% in 2012), a trend observed in nearly all of the business sectors and country regions.

DISTRIBUTIVE TRADE AND ACCOMODATION AND FOOD SERVICE SECTORS WITH A SIGNIFICANT INCREASE OF THE GOS IN 2013

Some signs of economic recovery were, however, noted, namely the nominal growth of the gross value added (GVA) of non-financial enterprises (0.5%), in spite of the reduction of the turnover (-0.8%). The emphasis in the growth of GVA is given, due to its importance, to the *manufacturing and energy* (2.1%), *distributive trade* (1.5%), *transportation and storage* (1.0%) and *other services* (1.0%) sectors. The *agriculture and fishing* sector, although with a lesser relative weight in the total non-financial enterprises, stood out due to growth in the main economic indicators, namely the GVA (+4.8% comparing with 2012). The growth in GVA, combined with a decrease in the personnel costs, resulted in a significant increase of the gross operating surplus (GOS) of enterprises (4.5%), particularly in the *distributive trade* and *accommodation and food service* sectors (16.4% and 13.7% respectively).

>> Figure 1 – Main economic indicators of enterprises (2012-2013)

	Enterprises		Persons employed		Turnover		GVA		Personnel costs		Gross operational surplus	
	2013	Var. 12-13	2013	Var. 12-13	2013	Var. 12-13	2013	Var. 12-13	2013	Var. 12-13	2013	Var. 12-13
	Nº	%	Nº	%	10 ⁶ Euros	%	10 ⁶ Euros	%	10 ⁶ Euros	%	10 ⁶ Euros	%
Total non-financial enterprises	1 055 813	-0.7	3 435 566	-2.2	323 289	-0.8	76 386	0.5	46 655	-1.7	29 950	4.5
<i>Legal form</i>												
Individual enterprises	704 997	-0.6	810 103	-0.8	15 165	-0.2	5 897	-0.6	1 253	-1.6	4 808	-0.2
Companies	350 816	-0.8	2 625 463	-2.6	308 124	-0.8	70 489	0.6	45 402	-1.7	25 142	5.5
<i>Size</i>												
Large	1 021	0.6	761 089	-1.0	137 010	-0.9	30 784	0.7	17 230	1.0	13 332	0.2
SME	1 054 792	-0.7	2 674 477	-2.5	186 278	-0.7	45 602	0.5	29 425	-3.2	16 617	8.3
<i>Business sector</i>												
Agriculture and fishing	58 144	3.3	111 158	4.7	5 357	1.4	1 188	4.8	756	2.8	854	2.6
Manufacturing and energy	71 670	-0.8	687 707	-1.2	101 901	0.2	22 468	2.1	11 508	-0.5	10 833	5.1
Construction and real estate	113 661	-2.6	358 112	-8.2	23 572	-9.6	6 920	-6.1	4 639	-7.2	1 967	-1.9
Distributive trade	232 760	-1.7	732 737	-2.8	119 641	0.0	14 270	1.5	9 494	-4.3	4 593	16.4
Transportation and storage	22 485	-1.8	150 807	-1.7	17 500	0.4	5 914	1.0	3 520	0.3	2 480	1.8
Accommodation and food services	82 294	-1.0	264 526	-2.2	8 431	0.1	3 110	-0.5	2 268	-4.5	804	13.7
Information and communication	14 951	3.9	82 854	2.7	11 665	-2.3	4 957	-1.4	2 487	5.9	2 424	-7.8
Other services	459 848	-0.1	1 047 665	-1.2	35 223	-0.7	17 560	1.0	11 983	-0.2	5 995	3.6
<i>Location</i>												
North	347 319	-0.2	1 150 413	-1.0	88 853	-0.4	21 581	3.5	13 735	-0.2	7 976	11.1
Center	228 604	-0.7	641 906	-1.8	52 269	0.7	11 921	0.0	7 451	-1.6	4 560	3.1
Lisbon	305 969	-1.0	1 199 552	-3.2	152 427	-1.6	35 521	-1.0	20 701	-2.3	14 553	1.2
Alentejo	74 889	-0.9	185 341	-2.0	14 531	1.5	3 203	2.0	2 008	-2.6	1 403	9.5
Algarve	54 342	-0.9	132 272	-2.0	6 243	-1.6	1 764	-1.5	1 216	-4.3	534	5.1
Madeira A.R.	24 257	-1.2	62 213	-2.9	4 722	-0.5	1 082	4.1	701	0.1	449	7.9
Azores A.R.	20 433	-0.5	63 869	-5.9	4 243	-4.6	1 314	-3.1	844	-5.7	474	4.8

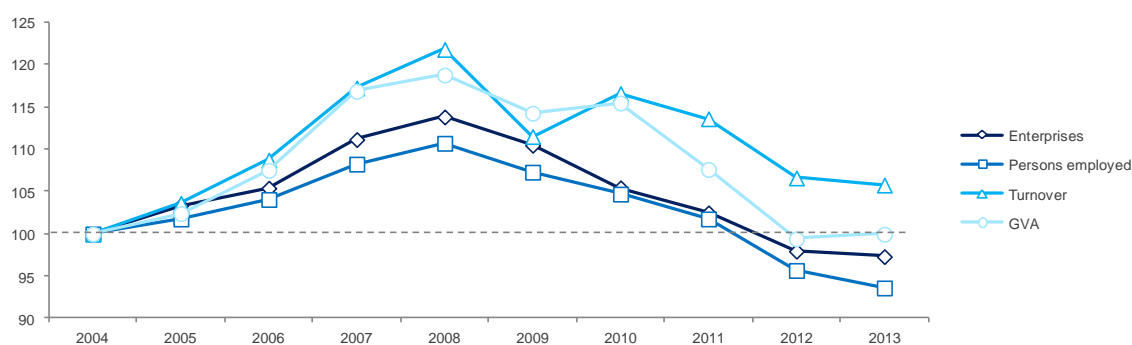
Source: Statistics Portugal, IBAS

TWO DISTINCT PHASES IN THE EVOLUTION OF THE NON-FINANCIAL SECTOR BETWEEN 2004 AND 2013

LESS ENTERPRISES AND PERSONS EMPLOYED IN THE NON-FINANCIAL SECTOR THAN 10 YEARS AGO

The main indicators of the non-financial enterprises have evolved similarly during the course of the 10 years in analysis. Between 2004 and 2008, there was a growth trend, with all the considered variables reaching its ten years' maximum in 2008, decreasing from that point onwards as result of the financial and economic crisis that broke off in the end of 2008. The number of companies and persons employed in the non-financial sector has reached, in 2013, a ten year minimum, below 2004 levels.

>> **Figure 2 – Development of the main economic indicators of companies (2004-2013) - Index (base year=2004)**



Source: Statistics Portugal, IBAS

THE TURNOVER DECREASED AT AN ANNUAL AVERAGE RATE OF 2.8% BETWEEN 2008 AND 2013

The period between 2004 and 2013 is divided in two very distinct phases, in respect to the evolution of the main indicators of non-financial companies. On the first half, between 2004 and 2008, both the turnover and GVA increased in all business sectors. In some cases, like *transportation and storage* and in the *other services*, the average annual growth rate was over 6%.

The second half (2009 to 2013), shows an opposite trend, with a decrease in the main economic indicators for most business sectors, with emphasis on the average annual decrease, in turnover and GVA, of the *construction and real estate* enterprises (-11.1% and -11.7%).

>> **Figure 3 – Development of the main economic indicators by business sector (2004-2013)**

	Average annual growth rate (%)											
	Enterprises			Persons employed			Turnover			GVA		
	04-13	04-08	08-13	04-13	04-08	08-13	04-13	04-08	08-13	04-13	04-08	08-13
Total non-financial companies	-0.3	3.3	-3.1	-0.7	2.6	-3.3	0.6	5.1	-2.8	0.0	4.4	-3.4
<i>Business sector</i>												
Agriculture and fishing	0.8	1.1	0.5	1.1	2.3	0.1	2.6	5.9	0.1	2.0	4.3	0.2
Manufacturing and energy	-2.6	-1.3	-3.6	-2.8	-1.6	-3.8	2.7	6.8	-0.5	0.0	1.7	-1.3
Construction and real estate	-3.3	0.4	-6.1	-4.2	2.5	-9.3	-5.2	2.7	-11.1	-4.5	5.5	-11.7
Distributive trade	-2.0	0.1	-3.6	-1.2	1.0	-2.9	-0.2	3.6	-3.2	-1.1	2.9	-4.2
Transportation and storage	-2.0	-0.8	-2.9	-1.0	1.3	-2.7	3.5	9.3	-0.9	1.9	6.7	-1.7
Accommodation and food service	-0.5	1.4	-2.0	0.0	3.1	-2.4	0.2	5.0	-3.5	-1.5	4.0	-5.7
Information and communication	0.7	3.3	-1.3	2.4	3.8	1.3	-0.7	3.0	-3.5	-0.6	1.8	-2.4
Other services	2.1	8.3	-2.5	2.5	7.8	-1.7	2.7	7.9	-1.3	3.4	9.6	-1.3

Source: Statistics Portugal, IBAS

NEGATIVE EVOLUTION OF THE NON-FINANCIAL SECTOR BETWEEN 2008 AND 2013

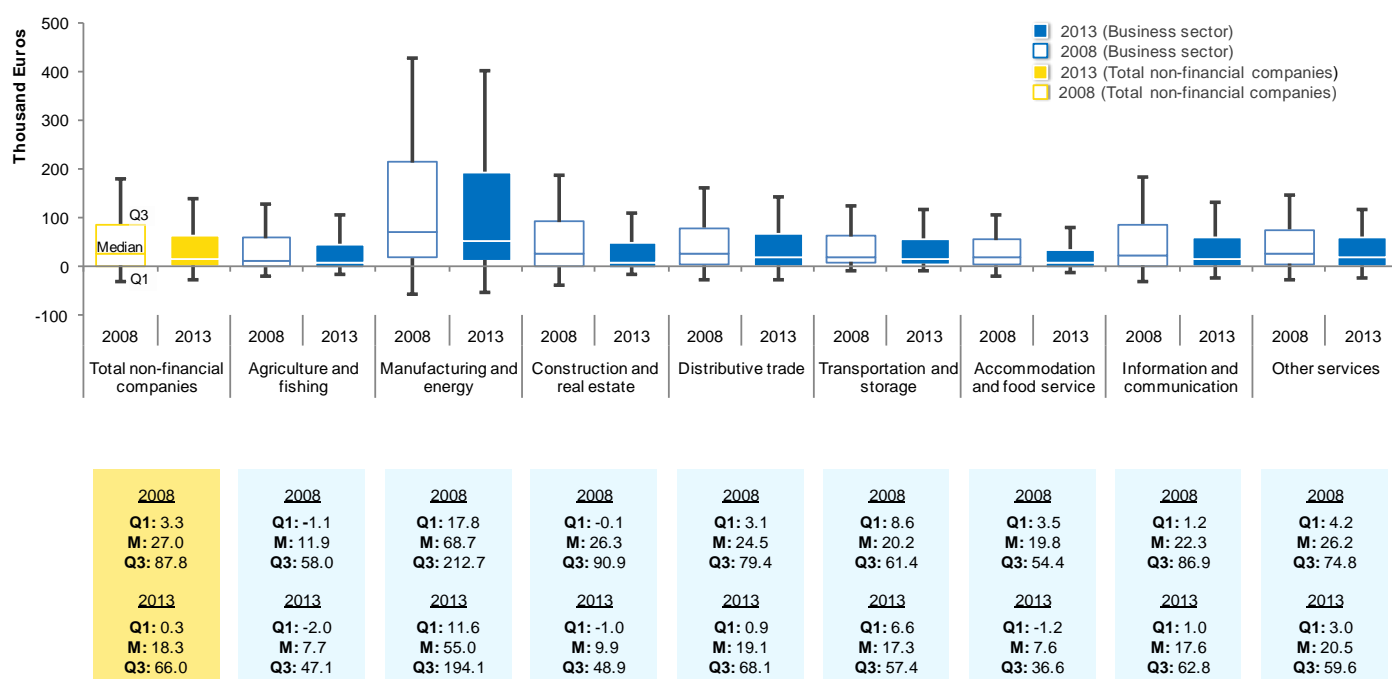
As mentioned before, from 2008 onwards a decline in the mains economic indicators of companies was observed which determined, even with signs of recovery in 2013, levels of activity still far from the achieved in 2008. However, the way in which the non-financial sector crossed this period was very heterogeneous. In order to assess this heterogeneity, this section adds some characterizing measures of distribution in a number of fundamental variables.

The following graphic synthesizes the GVA distribution of companies in 2008 and 2013, to the total and by business sector. Comparing these two years, a decrease in the median, 1st quartile and, to a lesser degree, the 3rd quartile, are observed.

**HALF OF THE COMPANIES
GENERATED LESS THAN 18.3
THOUSAND EUROS OF GVA IN 2013**

This negative evolution was observed across all business sectors. The emphasis, on the negative side, goes to the *construction and real estate* sector, where half of the companies couldn't reach 10 thousand Euros of GVA in 2013, an abrupt reduction from 2008, where the median was 26.3 thousand Euros. Although also with a decrease in the distribution in the same period, the *manufacturing and energy* sector has again stood out for its companies' ability to generate value added, with half of them generating 55.0 thousand Euros or more of GVA in 2013 (about 3 times the value of the total non-financial companies).

>> Figure 4 – Distribution of GVA by business sector (2008-2013)



Source: Statistics Portugal, IBAS

**THE APPARENT LABOUR PRODUCTIVITY
INCREASED IN LARGE COMPANIES AND
DECREASED IN SME**

The period between 2008 and 2013 produced different effects on SME and large companies, with an increase on the values of the median, the first and third quartiles of large companies opposed to a decrease on SME's.

Salaries grew more in the companies that paid the lowest salaries (first quartile), both in large companies and in SME.

The exporting profile of companies had also an impact on the way the apparent labour productivity developed, with a positive evolution of the distribution of non-exporting companies, opposed to a decrease in non-exporting. Contrary to the total of non-financial companies (and to non-exporting companies), the average monthly salary grew evenly across the distribution on exporting companies, with an equal growth rate on the lowest and highest quartile of the distribution.

>> **Figure 5 – Distribution of the apparent labour productivity and the average monthly salary of companies (2008-2013)**

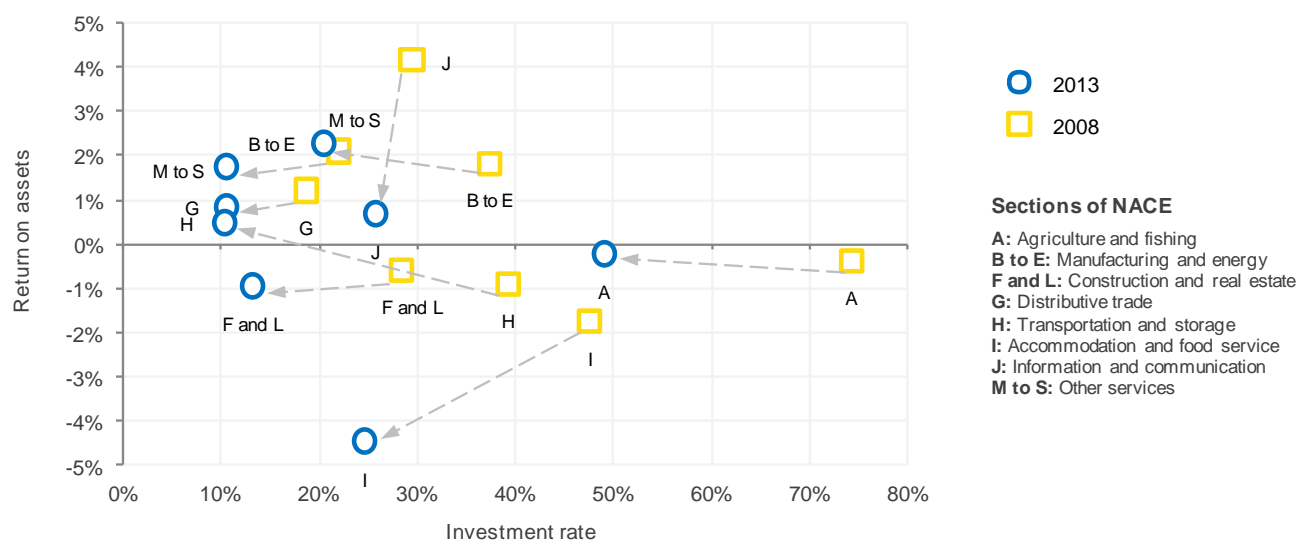
	Year	Average labour productivity			Average monthly salary		
		1 st Quartile	Median	3 rd Quartile	1 st Quartile	Median	3 rd Quartile
		Euros					
Total non-financial companies	2013	354	9 171	18 071	416	558	789
	2008	2 214	10 456	19 591	397	542	784
	Var.	-84.0%	-12.3%	-7.8%	4.8%	2.9%	0.8%
Size							
Large	2013	18 108	30 515	58 221	833	1 197	1 768
	2008	16 731	29 245	54 159	764	1 162	1 827
	Var.	8.2%	4.3%	7.5%	9.0%	3.0%	-3.2%
SME	2013	331	9 137	17 995	416	557	787
	2008	2 184	10 425	19 521	396	541	781
	Var.	-84.8%	-12.4%	-7.8%	4.9%	2.9%	0.8%
Exporting profile							
Exporting	2013	11 941	21 829	36 332	589	888	1 339
	2008	11 341	20 987	35 271	549	827	1 248
	Var.	5.3%	4.0%	3.0%	7.3%	7.4%	7.3%
Non-exporting	2013	30	8 624	16 959	416	546	756
	2008	1 870	10 112	18 843	393	534	761
	Var.	-98.4%	-14.7%	-10.0%	5.8%	2.4%	-0.7%

Source: Statistics Portugal, IBAS

DECREASE IN THE INVESTMENT RATE OF ALL THE BUSINESS SECTORS

Between 2008 and 2013, a significant reduction on the investment rate, in all business sectors, was observed. In some cases (*agriculture and fishing, transportation and storage and accommodation and food services*) this decrease was above 20 p.p. This reduction was, in most sectors, accompanied by a decrease in the return on assets, more accentuated in the *information and communication* sector (-3.5 p.p.).

>> Figure 6 – Return on assets and investment rate of companies by business sector (2008-2013)



Source: Statistics Portugal, IBAS

The main structural ratios developed unevenly through the business sectors, between 2008 and 2013. Some sectors saw the importance of equity on the financial structure of its companies reinforced, with emphasis (due to its importance) on the *other services* and *distributive trade* (from 0,26 and 0,27 to 0,31 and 0,30, respectively). On the contrary, other sectors have increased the parcel of debt, with the greatest decrease of the equity ratio being observed in the *transportation and storage* sector (from 0.14 to 0.08). The economic ratios have decreased across all sectors, with particular negative impact on the *accommodation and storage* and *construction and real estate* sectors.

DIFERENT DEVELOPMENTS OF THE FINANCIAL STRUCTURE RATIOS AMONG BUSINESS SECTORS

Among large companies and SME, the differences occurred mainly in the economic ratios, where a positive development was observed in large companies, opposed to negative and decreasing values on SME.

Exporting companies have also performed better than non-exporting companies, patent, namely, in a higher equity ratio (0.34 comparing to 0.27 in 2013).

>> **Figure 7 – Main ratios of companies by size and business sector (2008-2013)**

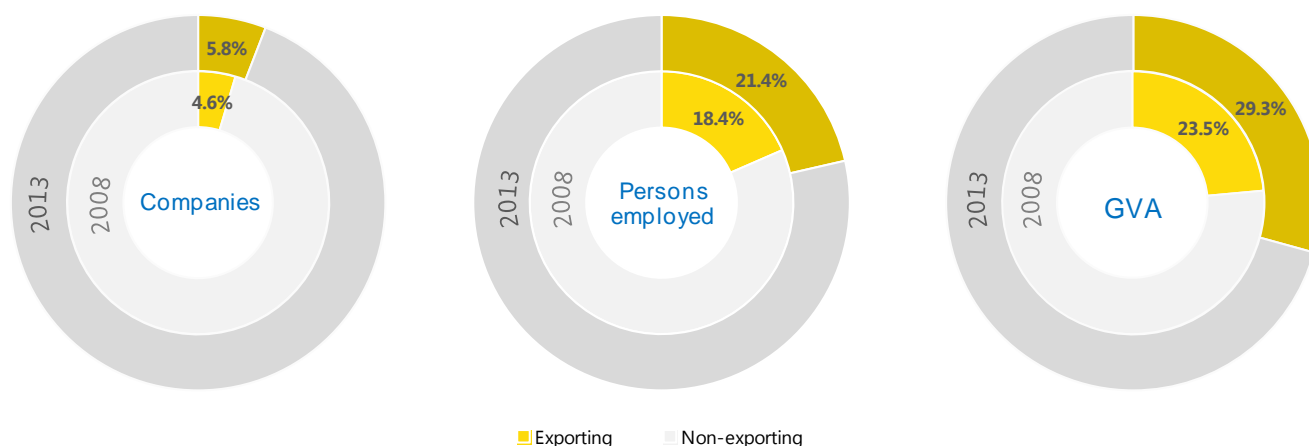
	Financial ratios				Economic ratios					
	Equity ratio		Debt-to-equity		Net profit per company		Gross operational surplus rate		Return on equity	
	Value		Value		10 ⁶ Euros		%		%	
	2008	2013	2008	2013	2008	2013	2008	2013	2008	2013
Total non-financial companies	0.26	0.28	2.82	2.51	11 387	10 446	9.2	8.2	3.2	2.6
Size										
Large	0.28	0.28	2.58	2.56	3 830 466	4 243 915	10.6	9.7	8.5	8.1
SME	0.25	0.29	2.97	2.48	- 316	- 1 911	8.2	6.9	-0.1	-0.8
Exporting profile										
Exporting	0.33	0.34	2.04	1.91	115 003	142 245	7.9	7.3	5.8	7.0
Non-exporting	0.24	0.27	3.09	2.76	6 420	2 265	9.6	8.6	2.3	0.8
Business sector										
Agriculture and fishing	0.31	0.38	2.18	1.63	- 3 266	- 1 983	9.6	9.1	-1.2	-0.6
Manufacturing and energy	0.32	0.31	2.13	2.21	58 452	86 564	10.5	10.5	5.7	7.3
Construction and real estate	0.22	0.24	3.51	3.10	- 9 713	- 16 609	11.2	7.2	-2.6	-4.0
Distributive trade	0.27	0.30	2.73	2.29	10 186	6 753	4.4	3.5	4.5	2.7
Transportation and storage	0.14	0.08	6.16	12.11	- 22 075	9 167	14.2	14.1	-6.4	6.1
Accommodation and food service	0.29	0.22	2.48	3.48	- 8 598	- 24 743	8.2	3.6	-6.1	-20.1
Information and communication	0.33	0.44	2.02	1.29	119 328	23 958	23.0	20.5	12.6	1.5
Other services	0.26	0.31	2.82	2.23	14 949	12 938	13.1	11.2	8.0	5.6

Source: Statistics Portugal, IBAS

The financial crisis didn't stop (or may even had a positive impact on) the increase in exporting companies, which assumed, in 2013, a higher weight on the main economic indicators comparing to 2008.

INCREASING WEIGHT OF EXPORTING COMPANIES ON THE BUSINESS SECTOR

>> **Figure 8 – Exporting companies (2008-2013)**



Source: Statistics Portugal, IBAS

CONCENTRATION OF THE BUSINESS SECTORS IN 2013

THE TOP TEN COMPANIES OF THE *TRANSPORTATION AND STORAGE AND INFORMATION AND COMMUNICATION* ACCOUNTED FOR OVER 20% OF THE EMPLOYMENT AND TURNOVER OF THESE SECTORS

Among the analyzed business sectors, the *manufacturing and energy* sector has shown the lowest level of concentration in terms of persons employed, with the ten largest companies accounting for only 13.6% of the sector's total. Regarding turnover, however, the top ten companies aggregated 46.8% of the total, the third highest percentage, following the *information and communication* and *transportation and storage* sectors (78.0% and 57.5% respectively).

>> Figure 9 – Concentration ratio of companies (2013)

	Persons employed			Turnover		
	Largest m companies					
	$m=10$	$m=50$	$m=100$	$m=10$	$m=50$	$m=100$
Agriculture and fishing	5.5	14.8	20.5	10.5	27.6	35.7
Manufacturing and energy	3.2	9.3	13.6	26.5	39.7	46.8
Construction and real estate	7.9	13.9	17.5	14.7	28.5	35.3
Distributive trade	12.9	19.1	22.1	16.7	28.5	34.5
Transportation and storage	21.9	37.2	44.4	31.0	47.3	57.5
Accommodation and food service	9.4	16.3	20.4	10.3	21.1	27.0
Information and communication	20.9	39.9	50.5	52.5	70.0	78.0
Other services	10.4	27.0	37.2	9.9	24.0	33.8

Source: Statistics Portugal, IBAS

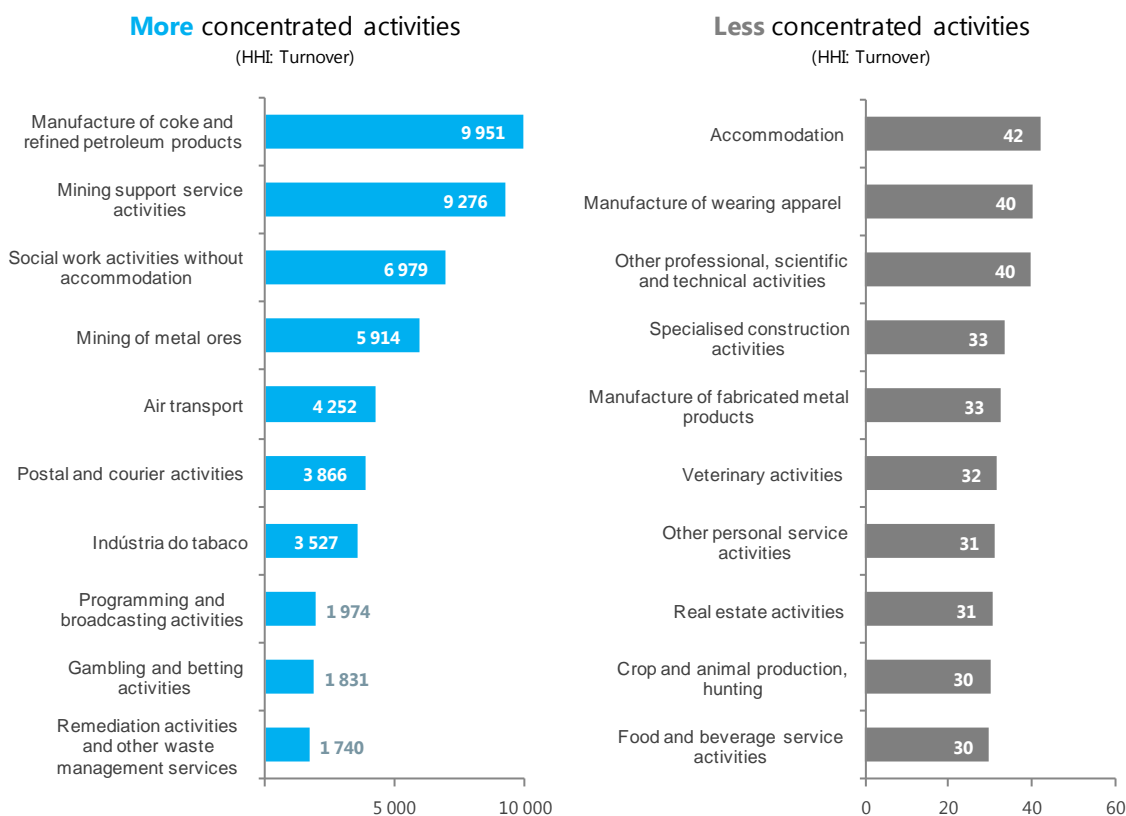
AGRICULTURE, FOOD SERVICE AND REAL ESTATE WERE THE MOST COMPETITIVE ACTIVITIES

Further dividing the business sectors, the Herfindahl-Hirschman Index of market concentration was applied. On this index, a value over 1,800 means a highly concentrated sector, while below 100, a highly competitive sector.

The *manufacture of coke and refined petroleum products* and the *mining support service activities* corresponded, in practice, to near monopoly situations. The concentration of the turnover in the *social work activities without accommodation* was also high, due to, in this particular case, a company of the sector whose revenues derive mainly from gambling activities.

Among the most competitive sectors, the *crop and animal production and hunting*, the *food and beverage services* and *real estate activities* stood out, without major companies dominating the turnover of these sectors.

>> **Figure 10 – More and less concentrated activities (Herfindahl-Hirschman Index) (2013)**



Source: Statistics Portugal, IBAS

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Methodological note:

The disseminated statistical data correspond to the preliminary data from the Integrated Business Accounts System (IBAS), to non-financial enterprises, to the reference year 2013. This data was obtained from IBAS, which results from a business statistics integration process, based on administrative data, with a focus on the Simplified Business Information (IES). The results obtained are based in the accounting information of enterprises and are not subject to the statistic treatment inherent to the national accounts.

In this study, only companies from section A to S (except K and O) of NACE-Rev.2 were considered. The sectors were aggregated in 8 larger groups: Agriculture and fishing (section A of NACE-Rev.2), manufacturing and energy (sections B to E), construction and real estate (sections F to L), distributive trade (section G), transportation and storage (section H), accommodation and food services (section I), information and communication (section J) and other services (sections M to S).

The classification of **large companies** was based on the recommendation of the Commission of May 6th, 2003. As such, companies were considered to be large when observing one of the following criteria:

- 250 or more persons employed **or**;
- Turnover above 50 million Euros and total assets above 43 million Euros

The remaining companies were considered **SME**.

In this study, companies were considered to be **exporting companies** when observing the following criteria

- Companies where at least 50% of the turnover originates from the export of goods and services, or;
- Companies where at least 10% of the turnover originates from the export of goods and services and the total value of exports is above 150.000€.

The distribution of variables was explored in this study. In a distribution of a variable, sorted in ascending order, the **first quartile (Q1)** corresponds to the value limiting the first 25% of the distribution, the **median** at 50% and the **third quartile (Q3)** at 75%.

Rácios económico-financeiros:

Apparent labour productivity = GVA / Persons employed

Average GVA = GVA / Number of companies

Average monthly salary = (Salaries / Total employees) / 14 months

Average net profit = Net profit / Number of companies

Average turnover = Turnover / Number of companies

Debt-to-equity = Total liabilities / Total equities

Equity ratio = Total equity / Total assets

Investment rate = Gross fixed capital formation / GVA * 100

Return on assets = Net income / Total assets * 100

Return on equity = Net profit / Equity * 100

Gross operational surplus rate = Gross operational surplus / Turnover * 100

Methodological note:

Horizontal concentration indicators:

The concentration measures are used to determine the degree of concentration of a market.

- **Concentration ratio:** Corresponds to the market share (P: individual weight of each company of the aggregate) of the largest m companies:

$$\sum_{i=1}^m (P_i)$$

, to $i=1,2,\dots,m$. In this study it was used $m = 10, 50$ and 100

- **Herfindhal-Hirschman Index (HHI):** one of the most used classic sector concentration indicators. It's calculated from the share (in %) of the company in market, i.e., the sum of the squares of the market shares (P) of all the companies in the sector:

$$\sum_{i=1}^n (P_i \cdot 100)^2$$

, where n stands for the number of companies in the sector.

In case of a monopoly, where a company owns 100% of the market, the index is:

$$\sum_{i=1}^1 (1 \times 100)^2 = 10000$$

In this study, an index below 1000 is interpreted as a low concentration sector, between 1000 and 1800 mildly concentrated, and above 1800 highly concentrated. The interpretation of the results demands some reserve, as when using information at the enterprise level, it's not possible to establish a direct correspondence between activities and goods and services markets. A single enterprise can intervene in diverse markets. Additionally, the scarce information on economic groups' activities constitutes another limitation to precision in assessing the level of competition.

Acronyms:

GOS: Gross Operating Surplus
GVA: Gross Value Added
IBAS: Integrated Business Accounts System
NACE Rev.2: European Classification of Economic Activities, Revision 2
p.p: Percentual points
SME: Small medium enterprise
Var.: Variation (growth rate)

Information to users:

This and other information related with this study can be found on the official statistics' website: www.ine.pt.