

Company financing in Belgium : Analysis using supply and use tables

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Introduction

To finance their development, companies can use not only internal resources, but also external funds, which can notably take the form of a capital increase or a loan from a credit institution. The topic of business financing, and notably that of SMEs, is a recurring theme in the news today and the focus of several surveys and studies. It is especially pertinent in the wake of the recent financial crisis. That crisis had, and continues to have, a significant impact on how companies obtain financing. This report aims to elucidate that impact. Our analysis looks at a 12-year period from 2000 to 2011 in order to provide some perspective when making comparisons with the pre-crisis period. Furthermore, this choice of time period also seeks to assess how the 2006 introduction of the tax deduction for venture capital known as the notional interest deduction has affected companies' financing. In other words, the study offers an overview of trends in Belgian corporate financing over the past decade.

The different forms of financing are reflected in companies' annual financial statements. The company file developed by the National Bank of Belgium's Central Balance Sheet Office⁽¹⁾ supplies a wealth of information on this topic at the individual company level. Until now, these data have been compiled into a "supply and use" table. This will soon be replaced by a "cash flow table". For reasons of methodology, this report is based on the current supply and use table (see below)⁽²⁾.

After explaining some of our methodology, this article describes the characteristics of companies with a financing need at the end of the financial year and the reasons for that need. The figures are broken down by company size,

sector and region. The report then looks at the external resources used to meet this financing need. The analysis is supported by statistics supplied by the Central Corporate Credit Register and by recent qualitative surveys.

1. Methodology and description of the study population

For the purposes of this study, the concepts of financing need and total financing need (also called overall financing need) are used as they are defined in the company file of the Central Balance Sheet Office and are similar to the definitions used in the national accounts. Table 1 shows a simplified version of the components of the supply and use table from the company file in which these notions of financing are calculated⁽³⁾.

The objective of the table is to recreate the (internal and external) sources of financing obtained by the company during the financial year and to trace their allocation. Thus, it catalogues the investment made during the period and how it was funded. Based on value added, the table presents the various income and charges that together make up the internal financing sources available to the company, i.e. its free cash flow calculation. By comparing these resources with tangible and intangible assets, on the one hand, and with changes in net

(1) The company file can be used to compare an individual company's financial situation with that of the sector in which it operates. It is available by request from the Central Balance Sheet Office. See <http://www.nbb.be> > Central Balance Sheet Office > Products of the CBSO > Company file.

(2) A few years ago, the Bank produced a report on corporate financing (Baugnet and Zachary, 2007). While building on the work in that report, this analysis is different in that it incorporates recent economic developments and draws on supply and use tables.

(3) For detailed calculations with references to the corresponding items in the annual accounts, see Annex 1.

operating assets on the other, it is possible to determine the financing need arising from the financial year's activities. The change in net operating assets expresses the difference between current non-financial assets and liabilities. Non-financial assets include inventories and trade receivables, while non-financial liabilities comprise current non-financial liabilities such as trade payables and taxes, wages and social security contributions payable. Adding in financial investment gives us the overall financing need (or surplus). Lastly, the table shows changes in the various external sources of financing that are the counterpart of this overall financing need or surplus.

Thus, among other things, this table makes it possible to determine a company's financial position (financing need or surplus) for a given financial year, as well as to understand how the situation came about and the resources the company is using to deal with it. Used at an aggregate level⁽¹⁾, it allows us to analyse how certain characteristics of non-financial corporations (sector, size, etc.) influence their financing behaviour. The supply and use table is the best suited to such an aggregate analysis (see OECD, 2007, chapter 3).

This study focuses on the portion of the table starting with balance of available internal sources and ending with external sources.

Companies based in Belgium or with an office in Belgium must file their annual accounts every year with the Central Balance Sheet Office⁽²⁾, which thus has a nearly exhaustive database for the purposes of analysis. For reasons of methodology, for this study it was necessary to restrict the study population somewhat. First, we excluded companies whose accounts did not pass the Central Balance Sheet Office's arithmetical and logical checks. Then, the study focused on companies alone, to the exclusion of associations and other groups. Furthermore, limiting the study to non-financial corporations ruled out financial corporations, primarily banks, insurers and holding companies. Also excluded from the study were companies belonging to the head office activities sector. This segment, which includes the former coordination centres, comprises mainly financing companies that provide internal banking services for a group of companies (Vivet, 2011, p. 70). These companies are thus grouped with financial corporations. Lastly, non-commercial sectors such as education, health care and public administration are excluded from the scope of this study⁽³⁾. This initial set of criteria makes it possible to determine what can be referred to as the sample population of Belgian non-financial corporations.

Additional selection criteria, inherent in the calculations of the accounting items used, had to be applied. Thus, we

TABLE 1 SIMPLIFIED PRESENTATION OF THE SUPPLY AND USE TABLE

Value added
– Staff costs
– Other operating costs
Balance: Gross operating result
+ Financial income
+ Other exceptional income
+ Associates' share of losses
– Financial charges
– Other exceptional charges
– Income tax
– Profit to be distributed
Balance: Available internal sources of financing
+ Capital subsidies
– Net tangible and intangible investment
± Change in net operating assets
Balance: Financing surplus (+) or need (–)
– Long-term financial investments
± Change in cash assets
Balance: Total financing need (–) or total financing surplus (+)
External sources of financing:
± Change in capital and share premium account
± Change in long-term debt
Change in short-term financial debt
Total external sources of financing

Source: NBB (2008 a).

only selected companies whose accounts correspond to a 12-month financial year. In addition, because the supply and use table shows trends in accounting items from one year to the next, only companies that filed their annual accounts for years N and N–1 using the same format (full or abbreviated) are taken into consideration in year N, as the aggregate results are generated by compiling the individual results. These additional selection criteria reduce the study population to 85 % of non-financial corporations as defined above. However, the proportion rises to 93 % if we look at value added or employment rather than the number of companies, as shown in table 2, which moreover shows the distribution of companies studied according

(1) It should be noted that the aggregate data may obscure some disparities between companies that would be visible in the individual tables.

(2) Some companies are not subject to this requirement, notably those whose partners have unlimited liability. For more information on the exceptions, see <http://www.nbb.be> > Central Balance Sheet Office > Filing annual accounts > Which companies have to file accounts?.

(3) The 2008 NACE-BEL codes for the branches of activity covered are listed in the annexes.

TABLE 2 BREAKDOWN OF COMPANIES STUDIED
(averages for 2000-2011, in %)

	Number of companies	Value added	Employment
Sample representativeness relative to all Belgian non-financial corporations	85.3	92.9	93.0
Sample breakdown:			
Size			
SMEs	93.4	23.2	29.2
Large companies	6.6	76.8	70.8
Sector			
Manufacturing sectors	8.1	30.9	29.0
of which:			
Agri-food industries	1.4	4.2	4.1
Textiles, clothing and footwear	0.7	1.3	2.0
Wood, paper products and printing	1.5	2.2	2.4
Chemicals and pharmaceuticals	0.3	7.6	3.9
Metallurgy and metalworking	1.6	4.6	5.1
Metal manufactures	0.9	6.1	6.5
Non-manufacturing sectors	91.9	69.1	71.0
of which:			
Wholesale and retail trade	28.3	21.2	21.2
Transportation and storage	3.7	8.9	11.5
Accommodation and food service activities	5.8	1.7	3.1
Information and communication	4.2	7.3	4.8
Real estate activities	10.4	2.6	0.7
Other service activities	19.5	11.6	14.6
Energy, water supply and waste	0.4	5.7	2.3
Construction	12.1	6.9	9.7

Source: NBB (Central Balance Sheet Office).

to their size and sector of activity. The criteria for company size in this case is the format used to file annual accounts. In accordance with Belgian Company Code, firms using the full format are considered to be large companies, while those using the simplified format are considered to be SMEs⁽¹⁾. Sector distinctions are based on the 2008 NACE-BEL nomenclature (see annex II).

The study deals with the period 2000-2011, which encompasses the introduction of the tax deduction for venture capital known as the notional interest deduction⁽²⁾ starting in 2006 and the global financial crisis, the effects of which were felt in Belgium from 2008 onwards. All the amounts mentioned are in current euros. Thus, care must be taken in comparing absolute amounts over a span of several years.

For the period 2000-2011, the vast majority (93.4 %) of companies studied are SMEs. In terms of value added and employment, however, these companies account for respectively less than one-quarter (23.2 %) and one-third (29.2 %) of the selection. As with the breakdown by size, the distribution of companies by sector is disproportionate, with nearly 92 % of companies active in

(1) According to the Belgian Company Code, small unlisted companies may use the abbreviated format, while large companies and small listed companies must use the full format. The legal definition of a small company is one that, within the past two completed financial years, has not exceeded more than one of the following thresholds: an annual average of 50 FTE employees; revenues (ex. VAT) of € 7 300 000; total assets of € 3 650 000; unless the annual average number of FTE employees exceeds 100, in which case the business is automatically considered a large company. For affiliated companies, the criteria measuring revenues and total assets are calculated on a consolidated basis, and the number of FTE employees at each company is added together. In other cases, the business is considered a large company.

(2) This measure, created by the Law of 22 June 2005, took effect in tax year 2007. It allows companies to deduct from their taxable income a theoretical or "notional" amount of interest calculated based on their "restated" shareholders' capital. For more information, see Vivet (2012).

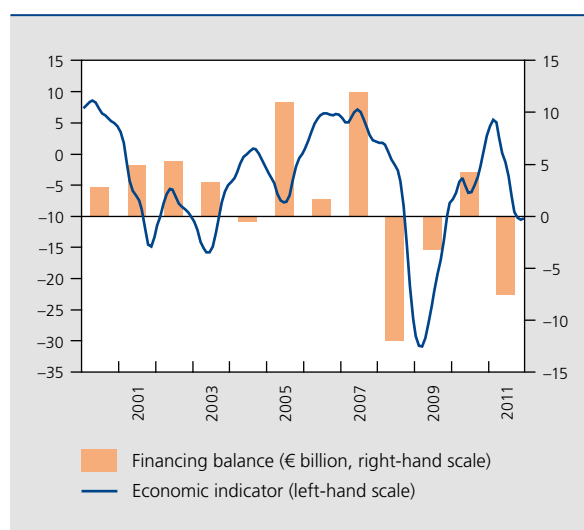
the services branches, including more than one-quarter (28.3 %) in the wholesale and retail trades. These non-manufacturing branches account for 69.1 % of value added and employ 71 % of workers, and more than one company in five – with respect to both value added and employment – belongs to the wholesale and retail trade sector. In the manufacturing industry, the sector with the largest number of companies is metallurgy and metal-working (1.6 %), whereas the most significant branches in terms of value added and employment are respectively chemicals and pharmaceuticals (7.6 %) and metal manufactures (6.5 %).

2. Financing balance

Table 3, below, shows trends in the financing balance of Belgian non-financial corporations and its determinants over the period 2000-2011, based on the categories listed in Table 1. These aggregate figures, expressed in billions of current euros, are calculated for all non-financial corporations. To put these figures into their macroeconomic context, Chart 1 shows the trend in the economic indicator for the same period, alongside that of the corporate financing balance.

Chart 1 shows that trends in companies' financial balance are influenced by economic conditions. For example, the

CHART 1 FINANCING BALANCE AND ECONOMIC INDICATOR



Source: NBB.

(1) The economic indicator is the balance of responses to the monthly survey. Series smoothed and seasonally adjusted.

periods when companies had particularly high financing needs (2008 and 2011) occurred during times of economic downturn. This may be explained by a combination of two factors. On the one hand, when the

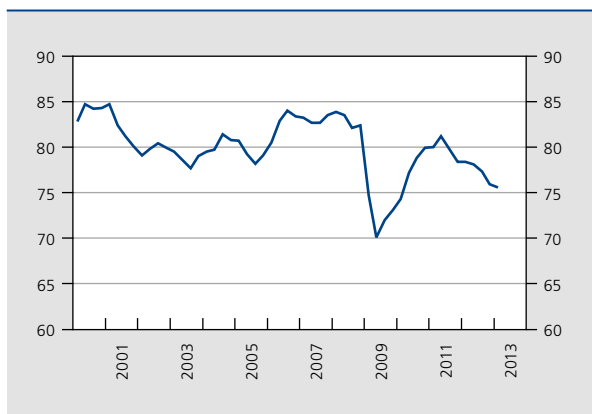
TABLE 3 TRENDS IN CORPORATE FINANCING NEED OR SURPLUS
(aggregate figures, in € billion)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Available internal sources of financing	-41.2	-22.9	-30.0	-32.5	-25.8	-12.5	-32.8	-41.4	-48.4	-1.7	-38.5	-28.7
Capital subsidies	22.4	19.7	18.5	19.6	25.3	24.7	33.9	27.6	26.1	26.0	35.2	35.9
Net tangible and intangible investments	0.7	0.6	0.7	0.7	0.9	1.8	1.8	2.5	8.9	4.4	3.1	3.2
Acquisitions	19.9	20.2	19.5	15.7	24.1	7.0	22.0	22.0	41.9	26.4	38.6	34.4
Divestments	32.1	32.9	31.2	32.1	32.9	36.9	39.0	41.4	52.5	45.3	51.2	49.8
Change in net operating assets ..	12.2	12.7	11.7	16.3	8.8	29.9	17.0	19.4	10.6	18.9	12.6	15.4
<i>Financing need or surplus</i>	0.3	-4.8	-5.6	1.3	2.6	8.5	12.0	-3.8	5.1	7.4	-4.7	12.3
Non-current financial investments	2.8	4.9	5.3	3.3	-0.5	11.0	1.7	11.9	-12.0	-3.3	4.3	-7.5
Change in cash assets	42.3	16.0	31.8	25.2	21.4	11.8	27.9	44.9	34.0	-2.8	29.2	25.0
Total financing need	1.7	11.8	3.5	10.7	3.9	11.7	6.6	8.4	2.4	1.1	13.7	-3.8
Number of companies (thousands)	188	192	198	209	223	235	243	252	256	265	272	281

Source: NBB (Central Balance Sheet Office).

CHART 2 PRODUCTION CAPACITY UTILISATION IN THE MANUFACTURING INDUSTRY

(percentages, seasonally adjusted series)



Source: NBB (quarterly production capacity survey).

economy is robust, companies plan more investment, which raises their financing needs. It should be noted that average investment spending for the period 2006-2011 was significantly higher than during the period 2001-2005. However, this investment is made at a certain time lag relative to the economic situation. Furthermore, when economic conditions weaken, companies' available internal sources of financing contract, which also tends to increase their financing needs. This is what we observed in 2008 and 2009, when internal resources fell to € 26.1 million and € 26 billion respectively. Corporate profits came under pressure from a rise in costs related to imports of goods and services following a widespread spike in commodity prices in the first half of 2008 and a drop in final demand, which was felt in late 2008 and into 2009, principally due to a slump in foreign trade.

Tangible and intangible investment, however, continued to increase in 2008. It was not until the end of the year that end-markets' prospects started to dim and it became apparent that the economic slowdown would not be short-lived. Thus, at the end of 2008, a clear drop in production capacity utilisation was registered, which continued into the first half of 2009 (see chart 2). Note that 2008 was also marked by the transfer of € 6 billion in assets from the Rail Infrastructure Fund to Infrabel, which inflated tangible fixed assets and caused a commensurate increase in capital subsidies⁽¹⁾.

The contraction of available internal resources combined with the increase in tangible and intangible investments in 2008 created the largest financing need in the period under review (€ 12 billion). This situation was aggravated by the increase in net operating assets, i.e. the difference

between current inventories and receivables on the one hand, and current non-financial liabilities on the other.

The year 2010 was marked by a return to more favourable economic conditions, with pre-crisis-level GDP growth and a brisk upswing in the economic indicator, which moved back into positive territory towards the end of the year. This macroeconomic improvement was also evident in the corporate financing balance table. Benefiting from the recovery in world trade and resulting improvement in sales, Belgian non-financial corporations posted a substantial increase in their available internal resources, which came to € 35.2 billion in 2010, up 35%. With more promising end-markets and a much-improved production capacity utilisation rate, this upswing in internal resources was accompanied by renewed tangible and intangible investment. This investment, at € 38.6 billion in 2010, rose 46% compared with 2009. However, it should be noted that it was influenced by some large-scale mergers and acquisitions in the IT and communications sector. These restructuring deals also had a notable impact on the decrease in net operating assets (as did certain intra-group transactions at Electrabel).

Long-term financial investment increased virtually throughout the period under review. However, it is important to mention that the peak in financial investment observed in 2007 was heavily influenced by Electrabel's € 18.2 billion purchase of Suez's stake in Suez-Tractebel. On the other hand, investment contracted in absolute terms in 2009, by € 2.8 billion, at the height of the financial crisis. It was also affected by intragroup transactions at Belgacom and Electrabel that resulted in reductions in fixed financial assets of respectively € 3.9 billion and € 4.5 billion.

In 2008 and 2009, companies also experienced a slowdown in the growth of their cash assets, which fell from € 8.4 billion in 2007 to € 2.4 billion in 2008 and € 1.1 billion in 2009. These cash assets include current investments in own shares or other (term deposits, shares sold within twelve months, etc.) and cash at bank and in hand (cash deposits, sight deposits, etc.). In other words, they comprise the liquidity that a company can use immediately to settle its accumulated financial commitments. This slowdown in cash asset growth combined with the reduction in financial investments led to the lowest total financing need of the period in 2009 at € -1.7 billion.

Given that tangible and intangible investment increased grew by more than internal resources, it is principally the decrease in net operating assets that explains the financing surplus of € 4.3 billion generated in 2010.

(1) See Deville, X. and F. Verduyn (2012), *Implementation of EU legislation on rail liberalisation in Belgium, France, Germany and The Netherlands*, NBB Working Paper No. 221.

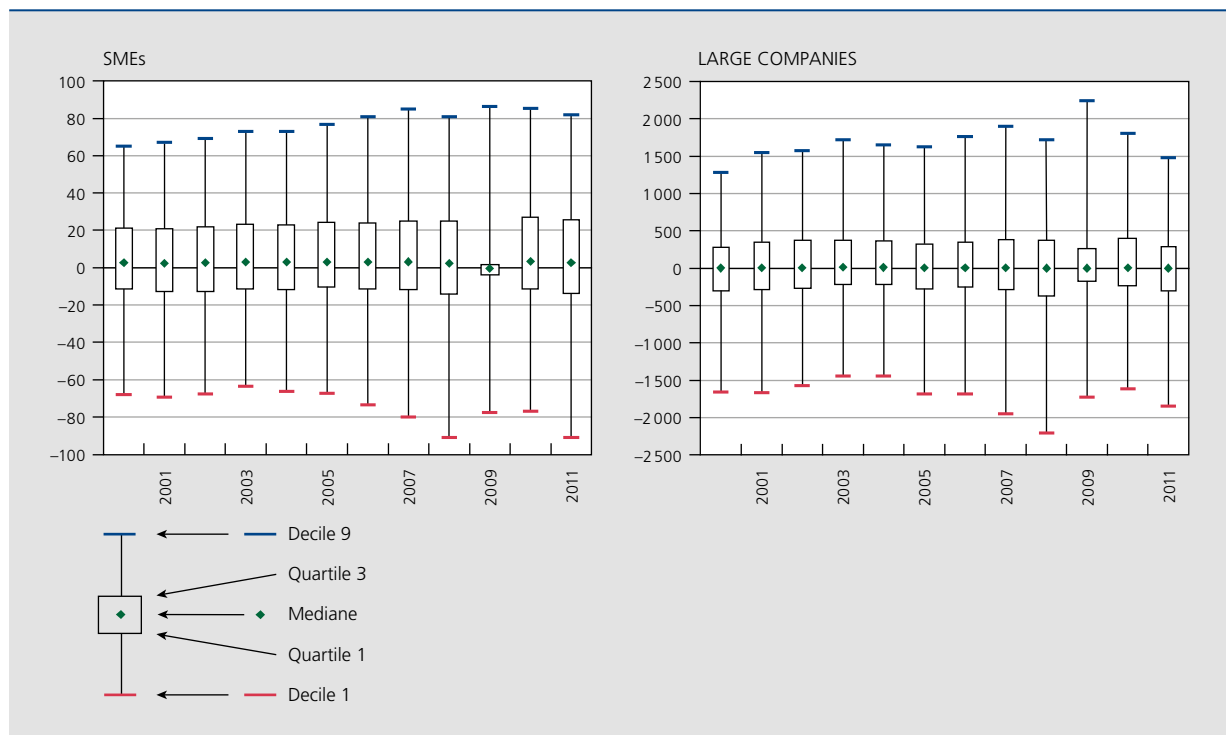
The economic upswing also corresponded to an increase in long-term financial investment and cash assets. Note that these movements were also influenced, respectively, by the Electrabel group restructuring mentioned above and by the sale of some of the Solvay Group's equity stakes, resulting in an increase in its cash assets. However, these transactions only reinforced an already solid upward trend. As a result, the overall financing balance for non-financial corporations swung back into heavily negative territory, at € 38.5 billion in 2010.

In 2011, the recovery in demand observed in 2010 continued before dwindling somewhat in the second half. The slowing of foreign demand was only partially offset by stronger sales in Belgium. The internal resources available to non-financial corporations remained stable at € 35.9 billion. Tangible and intangible investment experienced a slight decline, down 11 %, due to weaker prospects for end-markets in the second half. This trend was also visible in the economic indicator presented in Chart 1, which turned negative in the second half of the year. Net operating assets resumed their climb after plummeting in 2009 owing to certain one-off transactions (see above), causing a decrease in the financing balance, which fell back into the red at €-7.5 billion.

As with tangible and intangible investment, financial investment was down 14 % to € 25 billion, whereas cash assets plummeted owing to some large-scale transactions at Solvay and Electrabel. This had an impact on the total financing need, which, while still negative, shrank to €-28.7 billion.

The statistical distribution of the corporate financing balance (chart 3) shows that large companies were slightly more sensitive to economic conditions during the crisis in 2008. We note that the movement of large companies towards the high end of the distribution in 2009 was slightly more pronounced than it was for SMEs. In 2008, the 10 % of large companies with the biggest financing need each had a financing need of over € 2.2 million. In 2009, this threshold fell to € 1.7 million, a drop of more than 20 %. The decline was 15 % for SMEs. The statistical distribution also shows us that SMEs with a financing surplus appear to have been more resilient to economic conditions (in this case, companies above the median level). By contrast, the first decile and, to a lesser extent, the first quartile, appear to have been more volatile. In the case of large companies, both the high end and the low end of the distribution moved higher in 2009, then lower in 2010 and 2011. This indicates that, in 2009, large companies with

CHART 3 STATISTICAL DISTRIBUTION OF COMPANIES' FINANCING BALANCE BY SIZE
(€ thousands)



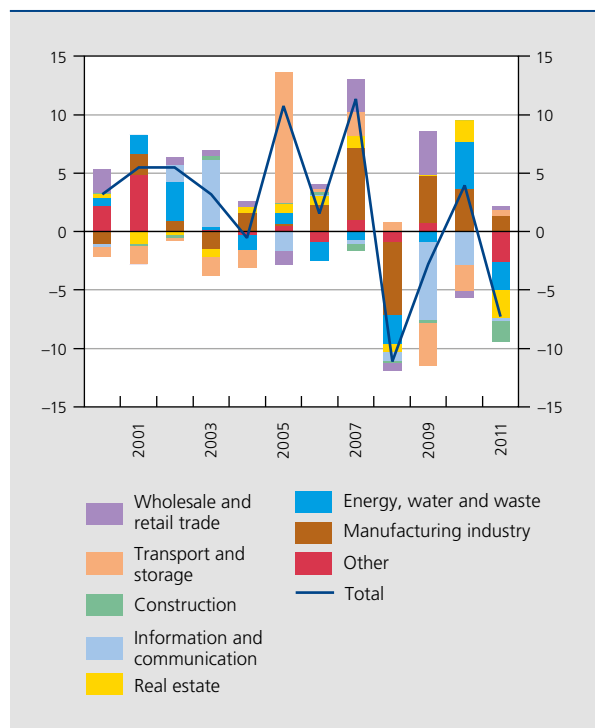
Source: NBB (Central Balance Sheet Office).

a financial surplus tended to increase their surplus, while companies with a financing need reduced their need. These effects were subsequently reversed.

It is also interesting to distinguish the trends in financing balance at the sector level. This is the aim of charts 4 and 5, which detail the contribution of the principal branches of activity to the changes in, respectively, large companies' and SMEs' financing balance.

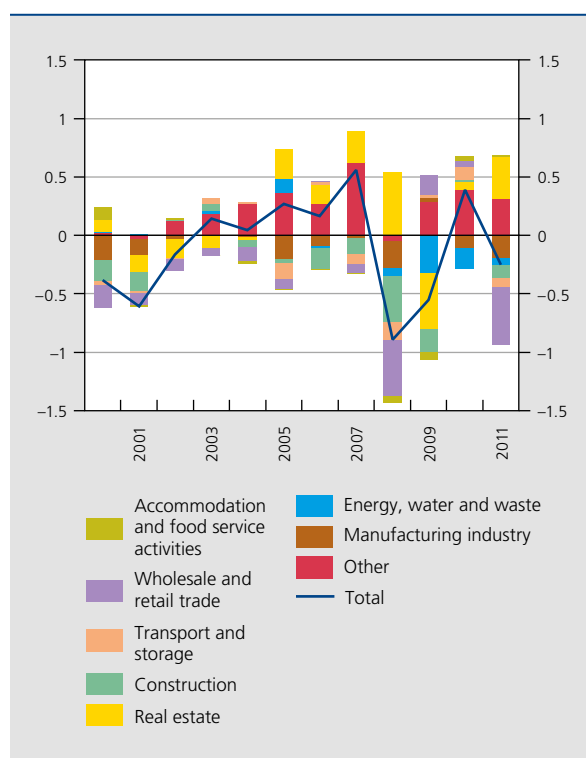
Among large companies, since 2004 the manufacturing industry has posted a positive financing balance (except in 2008), bolstered by the chemicals and pharmaceuticals industries. By contrast, the information and communication sector has usually ended up with a financing need, particularly as a result of Belgacom and Telenet. The financing balances of other sectors fluctuated more significantly. In 2005, there was a substantial financing surplus (more than € 11 billion) in the transport sector owing to the demerger of the Belgian national railway company (SNCB/NMBS) into three entities and the transfer of rail infrastructure to the Railway Infrastructure Fund, which in the accounts resulted in a substantial reduction in the SNCB/NMBS group's tangible fixed assets⁽¹⁾.

CHART 4 SECTOR BREAKDOWN OF LARGE COMPANIES' FINANCING BALANCE
(€ billion)



Source: NBB (Central Balance Sheet Office).

CHART 5 SECTOR BREAKDOWN OF SMEs' FINANCING BALANCE
(€ billion)



Source: NBB (Central Balance Sheet Office).

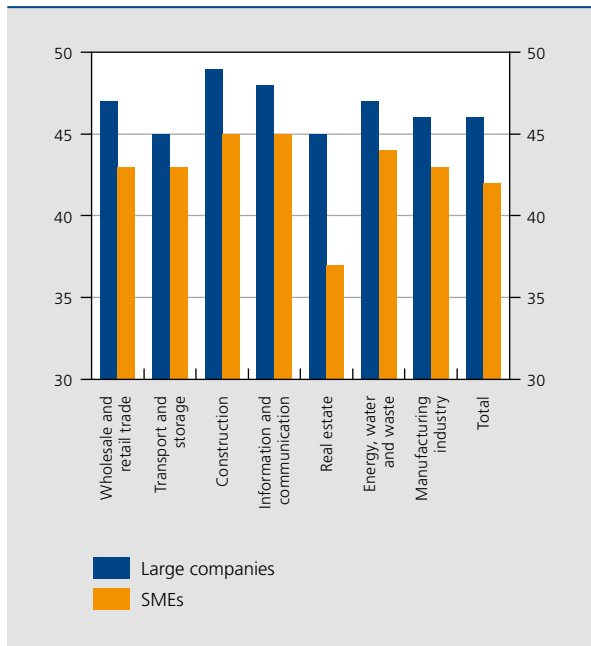
SMEs are a different matter. Every year since 2004, with the exception of 2009, the real estate sector has had a financing surplus because its available internal resources are often greater than its net investment. In fact, it was the only sector with a surplus in 2008. Real estate is also the sector with proportionally the fewest SMEs with a financing need (37 %, chart 6). The other principal sectors, such as wholesale and retail trade, manufacturing industry and construction, generally need to borrow. Construction has the highest proportion of companies with a financing need, among both SMEs and large companies.

Chart 7 shows the trend in financing balance by sector at the regional level⁽²⁾. The financing balance was positive in each of Belgium's three Regions in 2005 and declined the following year. However, we note some differences in how quickly financing needs increased following the crisis. Flanders posted a financing need in 2008, when all sectors exhibited financing needs totalling € 13.5 billion.

(1) See Deville, X. and F. Verduyn (2012), *Implementation of EU legislation on rail liberalisation in Belgium, France, Germany and The Netherlands*, NBB Working Paper No. 221.

(2) The regional breakdown of annual accounts is based on data from the Institute of National Accounts. For companies operating in multiple regions, items from the annual accounts are broken down on a pro rata basis by the number of employees in each Region. For more information, see Vivet (2011).

CHART 6 COMPANIES WITH A FINANCING NEED
(percentage of the total, 2000-2011 average)



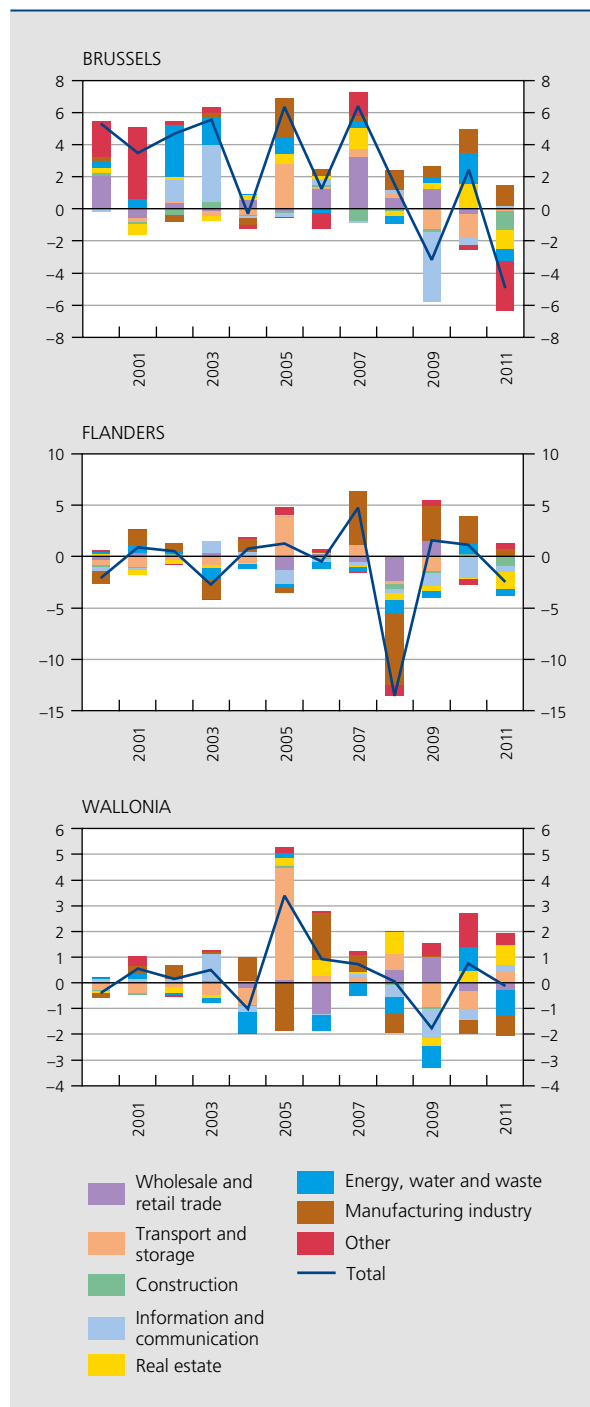
Source: NBB (Central Balance Sheet Office).

In Wallonia and Brussels, the financing balance was still positive overall in 2008 but turned negative the following year, although not to the extent of Flanders in 2008. In 2010, all three Regions posted an overall corporate financing surplus, followed by a financing need in 2011.

A few differences were noted in the sectors that have the most impact on trends in the Regions' overall financing balance. In Brussels, wholesale and retail trade is the principal sector that tends to generate a financing surplus. Greater need for financing in 2009 and 2011 resulted, respectively, from the information and communication sector (particularly Belgacom) and from other sectors, chiefly that of other services (including auxiliary financial services). In Flanders, the trend in companies' financing balance was influenced by the manufacturing industry and, more specifically, by the chemicals and pharmaceuticals industries and the metal manufactures sector, which includes car-making and assembly. The chemicals and pharmaceuticals industries also heavily influenced companies' financing balance in Wallonia, as did transport and storage and the energy, water supply and waste sector, whose financing balance was negative almost every year.

With respect to the proportion of companies with a financing need (chart 8), Brussels stands out somewhat from the other two Regions. For the period 2000-2011, 44 % of

CHART 7 SECTOR BREAKDOWN OF COMPANIES' FINANCING BALANCE BY REGION
(€ billion)

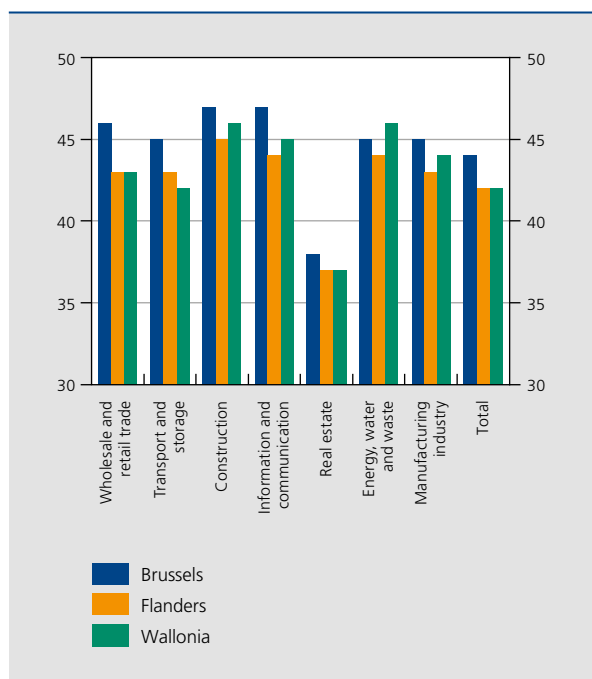


Source: NBB (Central Balance Sheet Office).

companies in the Brussels-Capital Region had a financing need, compared with 42 % in Flanders and Wallonia. This over-representation of companies in need of financing in Brussels, which holds for nearly every branch of activity, is chiefly attributable to a size effect. Brussels has relatively

CHART 8 REGIONAL BREAKDOWN OF COMPANIES WITH A FINANCING NEED

(percentage of the total, 2000-2011 average)



Source : NBB (Central Balance Sheet Office).

more large companies than the other two Regions (9%, compared with 6% in Flanders and 5% in Wallonia) and, as shown in chart 6, large companies have proportionally more that need to borrow.

To attempt to explain the trend in companies' financing balance in greater detail, it is useful to fine-tune the grouping of companies by size by making an additional distinction between companies that generate a financing surplus and those that have a financing need. This is the objective of chart 9, which highlights the principal factors that influence the trend in companies' financing balance, according to their size and location. It is important to note that internal resources play an important role in financing for both large companies and SMEs.

Among large companies, the fluctuations in the different variables make it difficult to discern trends. However, we do note that among companies with a financing need, needs increased sharply from 2008 because of higher tangible and intangible investment.

The level of tangible and intangible investment by SMEs with a financing surplus has been constant over the years at around € 2 billion. The trend in their financing capacity, which has steadily increased over the period under review, is more linked to the increasingly pronounced decrease in their net operating assets and to the growth of their available internal resources. Whereas net operating assets fell by € 2.3 billion in 2000, they dropped by € 6.2 billion in 2011, a contraction of 176%. Available internal resources amounted to € 9 billion in 2011, representing a 98% increase since 2000. These trends applied to most of the services branches. In the manufacturing industry, the increase in SMEs' financing capacity was less pronounced and was only attributable to the increasingly rapid decrease in net operating assets, as available internal resources were stable.

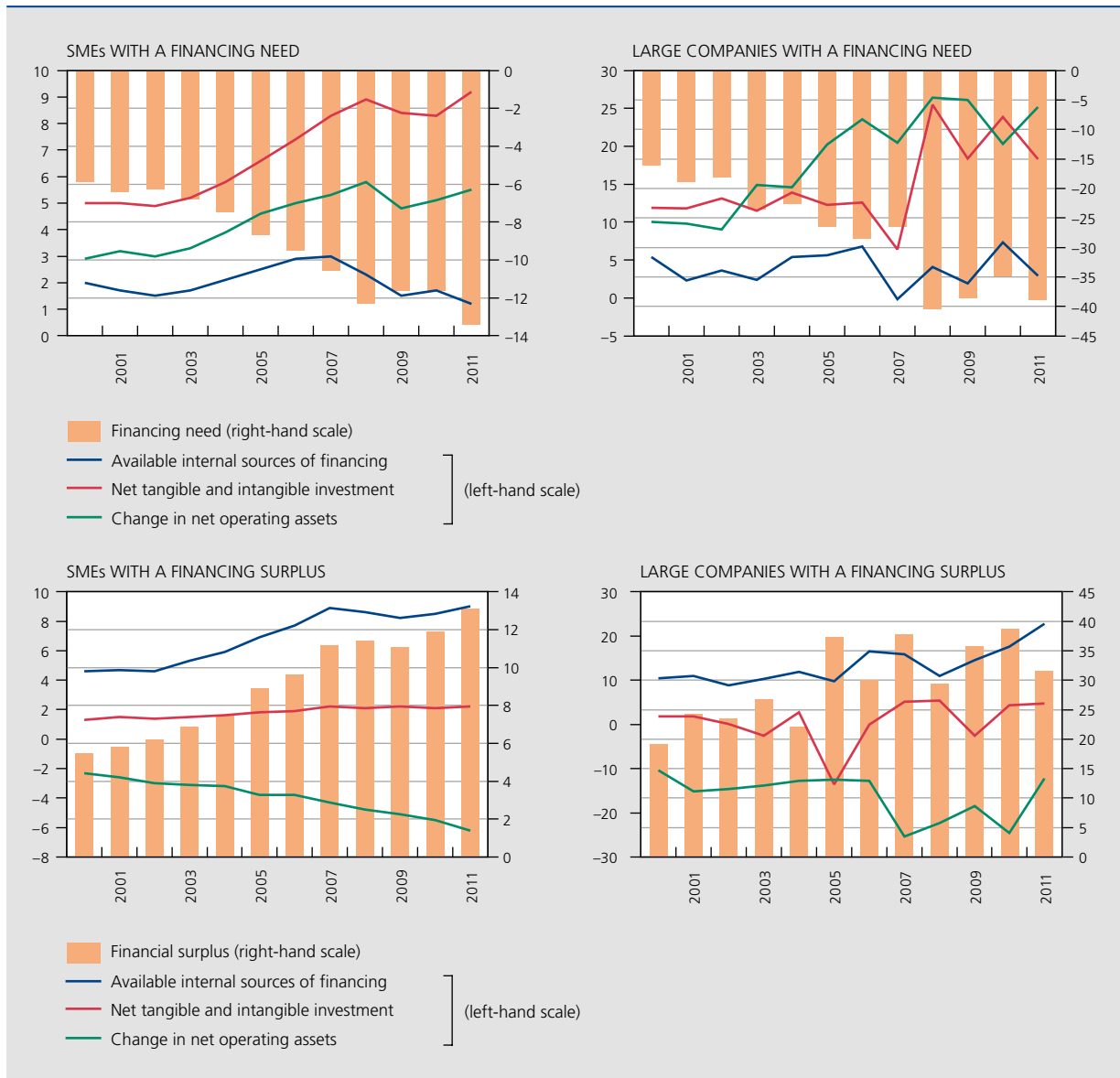
Among SMEs with a financing need, the increase in net operating assets and tangible and intangible investment was the reason for the growing deterioration in the financing balance, as available internal resources did not follow a similar trend.

Analysis at the regional level confirms the trends described above, with the three Regions posting similar trends overall.

This first section has demonstrated the link between companies' financing balance and economic conditions. The aggregate financing balance of large firms was also influenced by certain large-scale transactions made by a few big Belgian companies with a predominant influence on the statistics in their respective sectors of activity (Belgacom, Telenet, SNCB, etc.). The regional analysis highlighted the importance of the manufacturing industry to the financing balance of Flemish companies, particularly in the chemicals and pharmaceuticals industries and the metal manufactures sector. The chemicals and pharmaceuticals industries also heavily influenced the financing balance of companies in Wallonia, whereas in Brussels, the biggest influence on the financing balance of non-financial corporations came from the manufacturing industry and trade sector. Lastly, the analysis demonstrated that by and large, SMEs in need of funding saw their net operating assets and investment increase, while their available internal resources remained fairly stable.

The next section looks at how companies have met their financing needs.

CHART 9 FINANCING BALANCE AND PRINCIPAL FACTORS, BY COMPANY SIZE
(€ billion)



Source : NBB (Central Balance Sheet Office).

3. Financing sources

Table 4 shows the sources of financing that Belgian non-financial corporations have used to meet their financing needs in the broadest sense, including financing needs generated by long-term financial investments and by changes in cash assets. Over the period under review, borrowings were the principal source of company financing, at € 188 billion (€ 65 billion of which was in bank debt), ahead of changes in capital and share premium account (whether via issue of listed shares or not), which came to € 172 billion. As a reminder, head office activities (NACE 70100) are not included in this analysis.

The year 2006 saw a big upswing in financing by capital increase, rising 186% to € 20.6 billion under the combined impact of a drop in the cost of capital financing relative to bank debt and the introduction that year of a tax deduction for venture capital (notional interest), which makes capital financing more attractive. The increase in capital financing was above all due to a jump in large-scale transactions by a few big companies (table 5), which appears to support the argument that large companies altered their balance sheet structure after the notional interest deduction was created. The change in capital remained high in following years, peaking at € 22.4 billion in 2008, due mainly to large deals in the chemicals

TABLE 4 TRENDS IN COMPANIES' EXTERNAL FINANCING SOURCES
(aggregate figures, in € billion)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total financing need	-41.2	-22.9	-30.0	-32.5	-25.8	-12.5	-32.8	-41.4	-48.4	-1.7	-38.5	-28.7
Change in capital and share premium account	20.4	13.5	12.4	15.6	7.0	7.2	20.6	12.5	22.4	9.3	14.8	16.3
Change in long-term debt	7.3	2.9	6.5	20.8	13.6	-0.7	7.0	26.1	8.5	0.4	33.3	8.2
of which: change in borrowings from credit institutions	1.6	0.5	-0.8	17.3	10.0	2.1	5.4	5.7	4.5	-3.1	7.3	0.4
Change in current financial debt	13.5	6.5	11.1	-3.8	5.2	6.0	5.4	3.7	17.8	-7.3	-8.4	4.5
of which: change in borrowings from credit institutions	2.1	2.7	-0.2	4.6	-1.7	4.9	5.6	-0.9	10.3	-8.1	-7.5	2.0
Number of companies (thousands)	188	192	198	209	223	235	243	252	256	265	272	281

Source: NBB (Central Balance Sheet Office).

and energy sectors (notably a € 4 billion capital increase by Electrabel).

Financing by capital increase has also risen in importance among SMEs (table 6). Whereas in 2005, the change in capital was equal to one-third of the change in external financial resources (€ 1.1 billion out of € 3.3 billion), the proportion rose steadily from 2006 onwards, reaching 56% in 2011. That year, SME capital increases totalled € 2.7 billion. However, over the 12 years of the

study period, the increase in capital financing was less pronounced. On average from 2000 to 2005, capital increases represented 46% of SMEs' external financing sources, compared with 51% in 2006-2011, i.e. after the introduction of the notional interest deduction.

Wider use of capital financing is particularly evident in the sub-group of SMEs in need of financing (chart 10), where there was a clear 47% jump in the change in capital in 2006 compared with 2005. In 2011, capital financing

TABLE 5 TRENDS IN LARGE COMPANIES' EXTERNAL FINANCING SOURCES
(aggregate figures, in € billion)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total financing need	-38.9	-20.7	-28.6	-31.0	-23.9	-9.2	-29.2	-37.1	-42.1	2.2	-34.7	-24.2
Change in capital and share premium account	19.4	12.4	11.5	14.7	6.1	6.1	19.2	10.6	19.0	7.0	12.4	13.6
Change in long-term debt	6.6	2.3	6.3	20.4	13.0	-2.2	5.6	24.5	6.5	-0.5	32.3	7.0
of which: change in borrowings from credit institutions	1.2	0.3	-0.9	17.2	9.7	1.4	4.6	4.5	3.1	-3.5	7.0	-0.1
Change in current financial debt	12.8	6.0	10.8	-4.1	4.8	5.3	4.4	2.7	16.6	-8.0	-9.2	3.6
of which: change in borrowings from credit institutions	1.8	2.4	-0.4	4.6	-1.9	4.5	4.9	-1.5	9.5	-8.4	-8.0	1.7
Number of companies (thousands)	13	13	13	14	14	14	14	14	15	16	16	17

Source: NBB (Central Balance Sheet Office).

TABLE 6 TRENDS IN SMEs' EXTERNAL FINANCING SOURCES
(aggregate figures, in € billion)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total financing need	-2.3	-2.2	-1.4	-1.6	-1.9	-3.3	-3.6	-4.3	-6.4	-3.8	-3.9	-4.5
Change in capital and share premium account	1.0	1.1	0.9	0.9	0.9	1.1	1.3	1.9	3.4	2.4	2.4	2.7
Change in long-term debt	0.6	0.6	0.2	0.4	0.7	1.5	1.3	1.6	1.9	1.0	0.9	1.2
of which: change in borrowings from credit institutions	0.3	0.2	0.1	0.1	0.3	0.7	0.9	1.3	1.3	0.4	0.3	0.5
Change in current financial debt	0.6	0.5	0.3	0.2	0.4	0.7	1.0	1.0	1.2	0.7	0.8	0.9
of which: change in borrowings from credit institutions	0.3	0.3	0.1	0.1	0.2	0.4	0.7	0.6	0.8	0.3	0.5	0.4
Number of companies (thousands)	175	179	185	195	210	221	229	237	241	250	256	264

Source: NBB (Central Balance Sheet Office).

exceeded short-term debt financing for the first time (€ 2.6 billion vs. € 2.3 billion). The latter has been stable since 2009 (left-hand chart), whereas capital financing has exceeded non-bank debt financing since 2009 (right-hand chart).

The importance of capital financing among SMEs in need of financing increased in all three Regions, but was particularly pronounced in Flanders. In 2011, capital increases in the northern part of the country among this group of companies amounted to € 1.9 billion, an increase of 252 % over the € 0.5 billion posted in 2005.

For SMEs with a financing need, this trend was most apparent in the wholesale and retail trade, real estate and construction sectors, as well as in the manufacturing industry. It was also noted in the information and communication sector, although it did not come with a downturn in other financing sources.

This trend was influenced not only by the launch of the notional interest deduction scheme in 2006, but also by prevailing credit market conditions, which weakened from 2007 as a result of the financial crisis. Between 2008 and 2011, banks granted € 6 billion in loans to companies (all included), compared with € 31 billion between 2004 and 2007.⁽¹⁾

The trend has been observed both among large companies and among SMEs and is more pronounced for long-term borrowings (chart 11). Over the period 2008-2011,

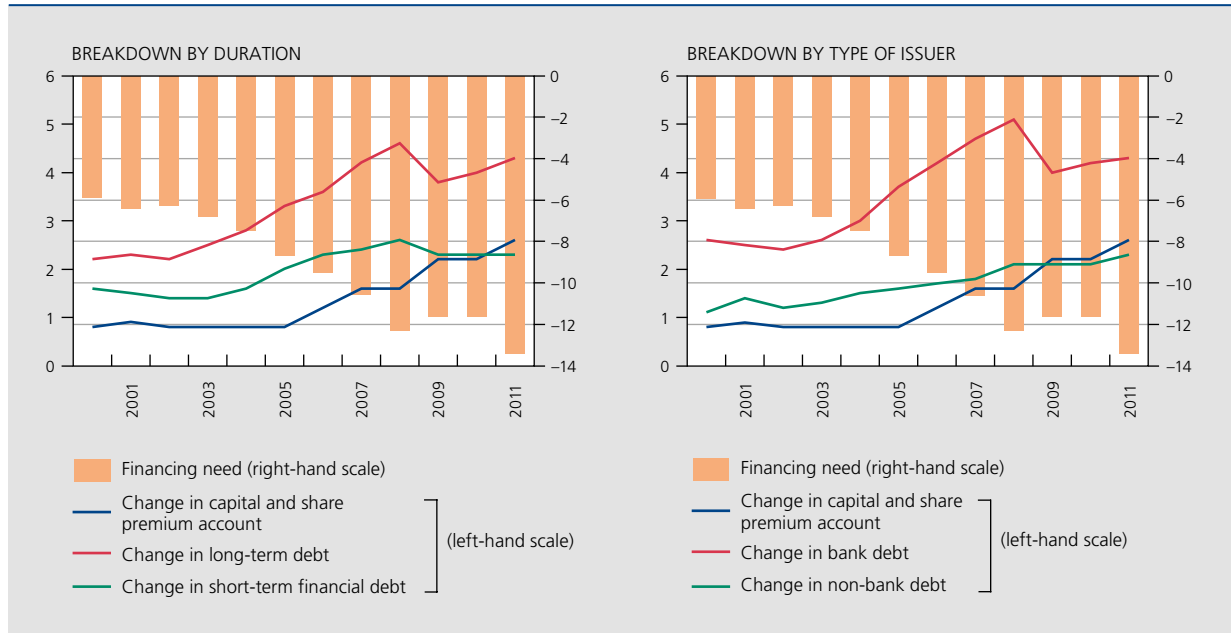
the change in borrowings from credit institutions was smaller than it was before the crisis, whereas the change in non-bank borrowings (which basically include loans between companies, but also includes long-term commercial debt and bonds, among other things) accelerated. Thus, there are clear signs of a tendency among companies to secure financing outside the banking channel, either via capital increase or non-bank debt.

This trend may be influenced by factors linked to demand for credit (see above), but it is also due to a change in lending conditions. Qualitative surveys that ask banks and companies about their perceptions of the credit market provide some more insight into this angle.

Banks' perceptions are assessed through the Bank Lending Survey (BLS), a quarterly survey of countries' most significant credit institutions carried out by the Eurosystem central banks. In Belgium, this survey reflects the opinions of the country's four largest banks (whose lending to the private sector represents around 70 % of loans granted by all Belgian credit institutions) with respect to trends in lending conditions and demand for credit. The results are expressed in net percentages, i.e. the difference between the percentage of responses indicating a trend in one direction and the percentage of responses indicating a trend in the

(1) Note that, among large companies, the figures are influenced by certain large-scale deals. For example, Electrabel's 2007 purchase of shares in Suez-Tractebel (see above) was partly financed with debt, which explains the sharp increase in non-bank debt seen in that year. Furthermore, Electrabel undertook an extensive financial debt restructuring effort in 2010, which resulted in the substitution of long-term debt (which rose by nearly € 6 billion) for short-term debt.

CHART 10 FUNDING SOURCES OF SMES IN NEED OF FINANCING
(€ billion)



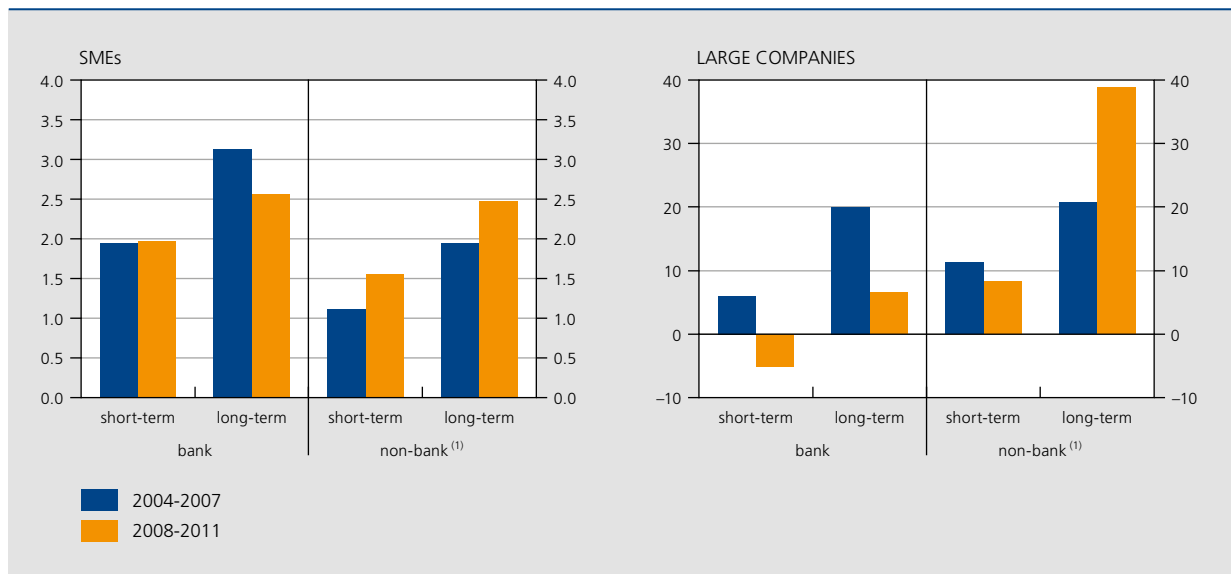
Source : NBB (Central Balance Sheet Office).

opposite direction. Responses are weighted as a function of their distance relative to the “neutral” response. The indicator’s possible values range from -100 % (significant weakening or tightening for all respondents) to +100 % (significant growth or easing for all respondents)⁽¹⁾.

The NBB polls business leaders, using a survey to gauge how they perceive trends in conditions for access to

(1) For more information on methodology, see <http://www.nbb.be> > Statistics > Economic Survey > Bank Lending Survey > Methodological explanation.

CHART 11 CHANGE IN DIFFERENT TYPES OF DEBT BEFORE AND AFTER THE CRISIS
(€ billion)



Source : NBB (Central Balance Sheet Office).

(1) Non-bank debt includes intra-group loans.

credit⁽¹⁾. Initially included in another survey conducted once a year, since 2009 the poll has been carried out separately every quarter⁽²⁾. Its results are expressed as net percentages, i.e. the balance of positive and negative responses⁽³⁾.

Chart 12 brings together the principal components of the trend in lending conditions on the bank credit market. Tension has been evident on financial markets since summer 2007 as a result of the subprime lending crisis. That year, banks reported that their perception of risks was one reason lending criteria were tightened. The crisis gained momentum the following year, causing balance sheet woes at banks owing to the drop in value of their asset portfolios and the contraction of their capital owing to higher risk. These balance sheet problems led banks to tighten their lending criteria, in particular by raising their margin.

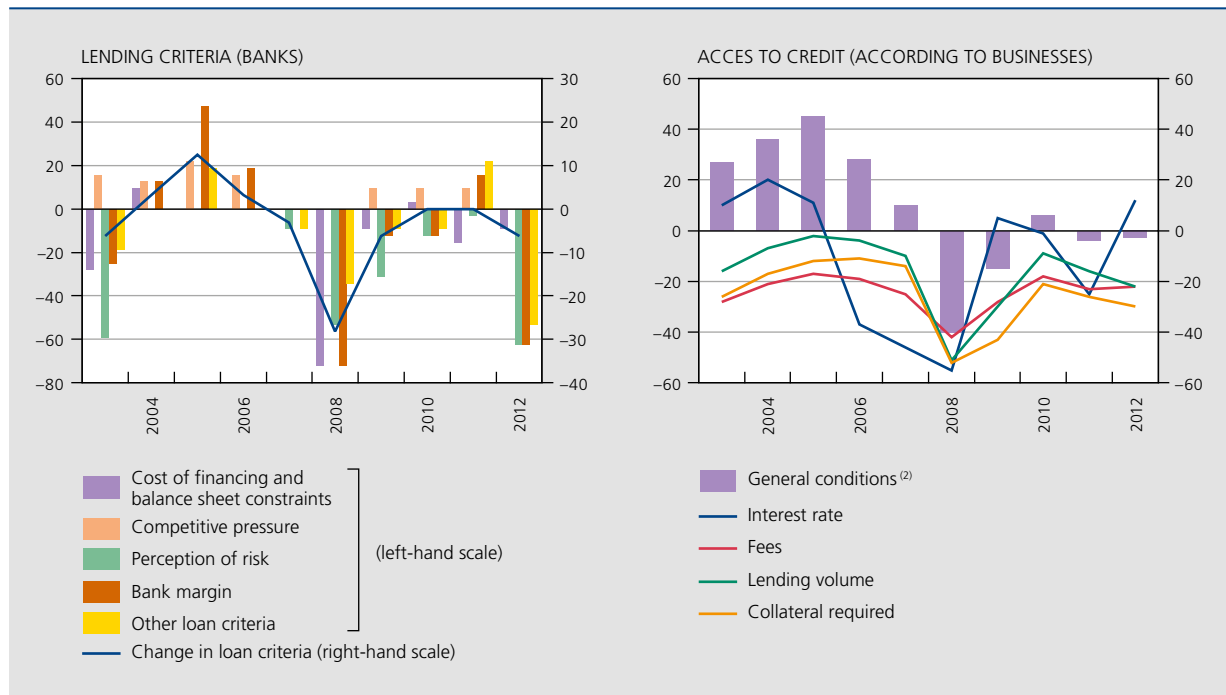
This perception is shared by business leaders, who thought that interest rates were the factor that deteriorated the most substantially in 2008, followed by collateral requirements and lending volumes. Access to credit improved a bit in 2009 (especially owing to a more favourable interest rate) before deteriorating again in 2011.

On the bank side, there is no sign of any easing of lending criteria, which continued to tighten in 2009 and remained unchanged in 2010 and 2011 as the sovereign debt crisis spread to the banking sector, weighing on credit institutions' liquidity and solvency. Faced with rising costs and balance sheet constraints, banks continued to apply strict conditions when lending to businesses. According to the businesses themselves, conditions actually tightened in 2011. In 2012, banks reported that they had adopted stricter lending criteria based on a perception of increased risk, notably by raising their margin. This tightening was confirmed by business leaders, who observed changes in the general access to bank credit despite interest rates easing.

The change in bank lending market conditions is reflected to some extent in data from the Central Corporate Credit Register, which records loans of over €25,000 made

- (1) It should be noted that the credits covered by this survey are those used directly for fixed capital formation, i.e. it excludes loans made for mergers and acquisitions. For more information on methodology, see http://www.nbb.be/DOC/DQ/kredObs/fr/KO_home.htm > Séries statistiques > Taux et autres conditions > Enquêtes NBB (appréciation des entreprises). French and Dutch only.
- (2) For this report, results from 2009 onward have been annualised by calculating the average of the quarterly results.
- (3) For example, a balance of +10 means that positive responses were 10% more numerous than negative responses.

CHART 12 ASSESSMENT OF CREDIT MARKET CONDITIONS BY BANKS AND COMPANIES⁽¹⁾
(trend expressed in net percentages)



Source: NBB (Bank Lending Survey and business leader survey of access to credit).

(1) annualised data obtained by calculating the average of quarterly results.

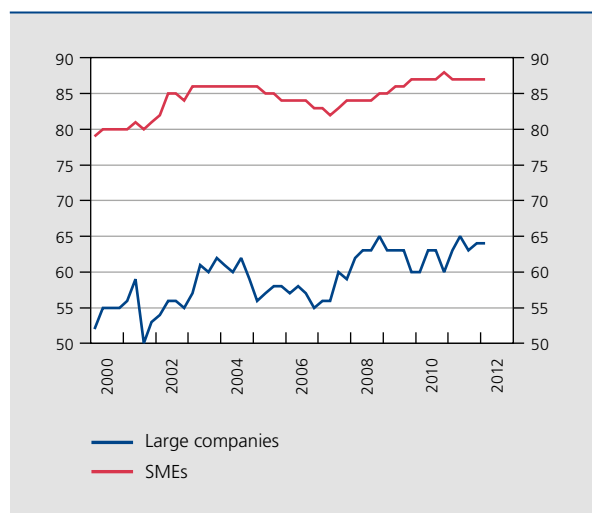
(2) With respect to access to credit, general conditions refer to the present moment, whereas the other criteria compare trends at the time of the survey with those observed six months earlier until 2008 and three months earlier from 2009 onwards.

to non-financial corporations⁽¹⁾. Among its published statistics, the authorised credit utilisation rate is an indicator of current credit market conditions. Expressed as a percentage ratio of the amount actually used and the total amount of authorised credits for each financial institution, it illustrates the extent to which companies are drawing on their lines of credit. This ratio is present in chart 13, which distinguishes between large and small companies⁽²⁾. Note that the utilisation rate among SMEs is structurally higher, as they traditionally rely more heavily on bank credit than do large companies, which have a larger array of financing options.

From 2007 onwards, the credit utilisation rate recovered among both SMEs and large companies. In 2005-2006, the average rate was 84 % for SMEs and 57 % for large companies. Over the period 2007-2011, by contrast, it rose to respectively 85 % and 62 % for SMEs and large companies. All sizes and sectors combined, the credit utilisation rate of non-financial corporations rose by 10 % between 2006 and 2011. This trend appears to indicate that, having difficulty securing new credit, companies sought to maximise their use of existing credit lines.

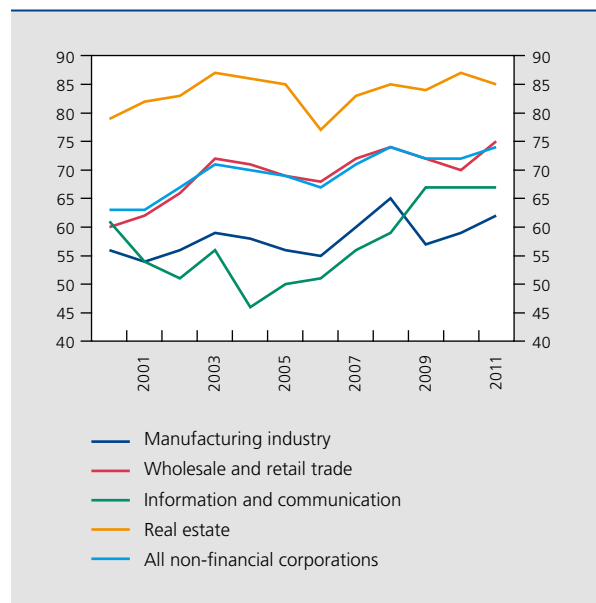
SMEs' difficulty obtaining bank loans after the onset of the crisis is also illustrated by the survey conducted by the Belgian Knowledge Centre for SME Financing (BeCeFi, 2013). The survey revealed that in 2009, 17 % of SME applications for bank loans were rejected. This percentage is significantly higher than the 9 % observed

CHART 13 AUTHORISED CREDIT UTILISATION RATE, BY COMPANY SIZE (percentages)



Source: NBB (Central Corporate Credit Register).⁽¹⁾
 (1) Data are taken from CKO1 reports. The Register now has a reconfigured database, but because of the methodology change involved in the move, a long series of historical data is not possible.

CHART 14 AUTHORISED CREDIT UTILISATION RATE, BY SECTOR (percentages)



Source: NBB (Central Corporate Credit Register).⁽¹⁾
 (1) Data are taken from CKO1 reports. The Register now has a reconfigured database, but because of the methodology change involved in the move, a long series of historical data is not possible.

in 2008. It subsequently came down in 2010 and 2011, to respectively 15 % and 13 %, which is still higher than before the crisis. In 2012, the rate rose to 16 %, confirming that SMEs are still having a hard time getting access to bank credit.

The 2011 FPS Economy survey on SMEs' access to financing confirmed this trend, noting an increase in the rejection rate for bank credit applications, which rose from 2 % in 2007 to 6 % in 2010. Conversely, the biggest fall in the rejection rate was among "other sources" of debt financing, which fell from 78 % in 2007 to 39 % in 2010⁽³⁾.

Chart 14 shows that sectors whose credit utilisation rates rose faster than the average between 2006 and 2011 are those where SMEs in need of financing posted strong growth in capital increases: the manufacturing industry, trade, real estate and information and communication. This last sector, moreover, illustrates the trend perfectly, having undergone both the strongest increase in the authorised credit utilisation rate (+32 % between 2006 and

(1) The data used stop at 31 March 2012, after which date the Central Credit Register stopped using the € 25,000 threshold.
 (2) The distinction by size is based on the type of format used to file annual accounts (abbreviated format = SME, full format = large company). Companies that have not filed at least one set of annual accounts with the Central Balance Sheet Office within the past 60 months are not included.
 (3) Other studies, such as the ECB's "Survey on the access to finance of small and medium-sized enterprises in the euro area", arrive at similar conclusions.

2011) and the fastest growth in capital increases among SMEs with a financing need (+173 % between 2005 and 2011). Thus, this tends to confirm the hypothesis that the growing use of capital increases among SMEs is at least partly a response to more restricted access to the credit market following the financial crisis.

Conclusion

By using the aggregate level of the supply and use table compiled by the Central Balance Sheet Office for individual companies, this study has been able to identify certain trends affecting the population of companies in need of financing, the causes of the financing need, and the external sources used to meet it.

An analysis of the trend in companies' financing balance shows that it is dependent upon economic conditions. The periods when companies' financing need was the highest (2008 and 2011) came on the heels of economic downturns. This situation appears to be attributable to the decline in available internal resources and the fact that the execution of investment projects lags behind the economic cycle. Distinguishing between companies according to size shows that the financing balance and its components fluctuate more for large firms than for SMEs, owing to the influence of deals by some large enterprises. The slightly more pronounced sensitivity to the economy among large companies during the crisis of 2009 is reflected in the statistical distribution of companies' financing balance. For example, among large companies, both the high end and the low end of the distribution (i.e. companies with respectively the biggest surpluses and biggest financing needs) moved higher in 2009 and then lower in 2011. Among SMEs, the high end of the distribution was relatively stable, which means that companies that generated a financial surplus were less affected (positively or negatively) by the economy.

A more detailed analysis at the sector level shows that some sectors were more likely than others to regularly find themselves with a surplus or a financing need. Among SMEs, real estate has regularly posted a surplus since 2005 because its available internal resources often exceed its net investments. Furthermore, it has proportionally much fewer companies in need of financing than do other sectors. Conversely, wholesale and retail trade, the manufacturing industry and construction generally have a financing need. Among large companies, the manufacturing industry habitually generates a financing surplus, unlike the information and communication sector.

The regional breakdown of trends in companies' financing balance shows that, from 2008, Flanders exhibited a

financing need in every sector of activity, which was not the case until 2009 in Brussels and Wallonia. In Flanders and Wallonia, these trends were mainly driven by the manufacturing industry, especially the chemicals and pharmaceuticals industries and, particularly in Flanders, by the metal manufactures sector. In Brussels, it was the service-oriented sectors that had the biggest influence on the financing balance because of the Brussels-Capital Region's economic structure where the majority of companies are in services sectors. We also note that Brussels had relatively more companies in need of financing, undoubtedly because of the disproportionate number of large companies in the Region, as large companies are relatively more likely to present a financing need.

By making a distinction between companies with a financial surplus and those in need of financing, we were able to discern some of the latter group's characteristics. They generally have inferior available internal resources, make more tangible and intangible investment, and are experiencing growth in their net operating assets whereas companies with a surplus are seeing a decline. This is particularly striking among SMEs, where we see an increasingly pronounced decrease in net operating assets among the companies that posted a financing surplus between 2000 and 2011, while their financing surplus increased.

An analysis of companies' financing sources highlighted a significant increase in capital financing in 2006, likely attributable to the adoption of the notional interest tax deduction. Capital financing continued to gain ground thereafter, particularly among SMEs with a financing need, for which we clearly saw a growing increase in the change in capital and a decline in new long-term financial commitments. We also noted that, following the crisis, the attribution of bank credit slowed and there was an acceleration in non-bank lending (principally intragroup loans), especially for long-term loans, among both large companies and SMEs. Thus, we saw a relative decline in companies' bank financing.

These trends were influenced by prevailing credit market conditions, which according to qualitative surveys of banks and business leaders have deteriorated since 2007. The tension in the bank lending market was also evident in the figures compiled by the Central Corporate Credit Register, which showed an increase in authorised credit utilisation rates from 2007 onward for both SMEs and large companies, indicating difficulty in obtaining new loans. Two other surveys of SMEs' access to financing, conducted respectively by the BeCeFi and the FPS Economy, reinforced this observation, indicating an increase in the loan application rejection rate following the onset of the crisis.

Lastly, sector-based analysis of authorised credit utilisation rates reveals that sectors posting the highest increase in these rates are also those in which SMEs with a financing need posted the fastest acceleration in financing by capital increase. This tends to confirm the hypothesis that SMEs' increased use of capital financing is partly the result of restricted or more costly access to bank credit as a result of the financial crisis.

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Annex I – Calculation of items in supply and use tables⁽¹⁾

1. Full format

To create a supply and use table, it is first necessary to perform a series of controls to verify the consistency and accuracy of certain accounting entries. The results of the controls are added to certain items in the table. These adjustments are vital to ensure the overall balance between resources and how they are used over the financial year.

The list of control equations is presented below. The result of each control is entered under an imaginary item C (items C₁ to C₁₆). These items are included in the definition of the entries in the supply and use table.

1.1 Controls dealing with amortisation and value impairment

These check to see if the information in the income statement is consistent with that provided in the annex. If there is a difference, the income statement data are brought into line with those in the annex.

- a. Amortisation and value impairment entries that are reversed when the fixed assets are sold are frequently entered in the annex under “writebacks”.

This anomaly is corrected by increasing the value of the reversed amortisations and value impairments by the difference between the writebacks reported in the annex and those reported in the income statement.

$$\text{Non-financial fixed assets: } C_1 = 8089 + 8289 - 760$$

$$\text{Financial fixed assets: } C_2 = 8484 + 8614 - 761$$

- b. Certain companies factor value adjustments into their amortisations or value impairments of fixed assets that are related to current assets. These adjustments must be added to internal resources in order to correctly recreate the net change in fixed assets.

– Difference between net amortisation of start-up costs, and intangible and tangible fixed assets entered into the financial statement and the annex:

$$C_3 = (8003 + 8079 - 8089 + 8279 - 8289) - (630 - 760 + 660 + 6501) + C_1$$

– Difference between net value impairments of financial fixed assets reported in the income statement and the annex:

$$C_4 = (8474 - 8484 + 8604 - 8614) - (661 - 761) + C_2$$

– Amount to be added to internal resources:

$$C_5 = C_3 + C_4$$

1.2 Changes in shareholders' capital items on the balance sheet that do not appear in the income statement or the annex

Certain accounting entries affect provisions, reported income and balance sheet reserves without influencing the income statement. These entries have been recreated by comparing changes from one balance sheet to the next of relevant items in the liabilities and shareholders' capital section and the corresponding items in the income statement. The change in revaluation gains on the balance sheet will also be compared against the corresponding income reported in the annex in order to isolate any transfers of capital gains to shareholders' capital or reserves.

(1) Source: excerpt from NBB, *Centrale des bilans - Dossier d'entreprise, méthodologie et mode d'utilisation*, October 2008, pp. 51-60.

- Difference between the change in deferred income on the balance sheet and the corresponding change reported in the table of appropriated retained earnings in the income statement:

$$C_6 = 14P - 14\$(^{(1)})$$

- Difference between changes in reserves on the balance sheet and the income statement:

$$C_7 = (13 - 13\$) - (6920 + 6921 - 792 + 689 - 789)$$

- Difference between changes in provisions and deferred taxes on the balance sheet and the income statement:

$$C_8 = (16 - 16\$) - (635/7 + 662 - 762 + 680 - 780 + 6560 - 6561)$$

- Transfers of capital gains:

$$C_9 = (12 - 12\$) - (8219 - 8239 + 8249 + 8414 - 8434 + 8444)$$

- Amount to be added to internal resources:

$$C_{10} = C_6 + C_7 + C_8 + C_9$$

1.3 Difference between the value of fixed assets on the balance sheet of the previous financial year and that reported in the annex

This difference results from mergers, demergers, entities being absorbed or spun off into a subsidiary over the past financial year; it is added to (or subtracted from) the acquisition value of the fixed assets in question.

- Start-up costs: $C_{11} = 20P - 20\$$

- Intangible fixed assets: $C_{12} = 8059P - 8129P - 21\$$

- Tangible fixed assets: $C_{13} = 8199P + 8259P - 8329P - 22/27\$$

- Financial fixed assets: $C_{14} = 8394P + 8454P - 8524P - 8554P + 8644P - 28\$$

1.4 Transfers between balance sheet items affecting non-financial fixed assets⁽²⁾

- Intangible fixed assets: $C_{15} = 8049 - 8119$

- Tangible fixed assets: $C_{16} = 8189 - 8319$

(1) Items relating to the previous financial year are followed by "\$".

(2) The transfer of financial fixed assets to other cash investments or vice-versa is explicitly reported in long-term financial investments.

Number of months in the financial year

Value added	R103	70/74 – 740 – 60 – 61
+ Operating subsidies	R104	740
– Staff costs	R105	– (62)
– Other operating costs	R106	– (640/8 + 649)
Gross operating result	R107	70/74 – 60 – 61 – 62 – 640/8 – 649
+ Income from fixed financial assets	R108	750
+ Income from current assets	R109	751
+ Other financial income	R110	752/9 – 9125 – 9126
+ Interest subsidies	R111	9126
+ Other exceptional income	R112	764/9
+ Associates' share of losses	R113	794
– Interest expenses	R114	– (650 – 6501)
– Value impairment of current assets	R115	– (651 + 631/4)
– Other financial charges	R116	– (652/9 – 6560 + 6561)
– Other exceptional charges	R117	– (664/8)
+ Exceptional charges recorded as assets in respect of restructuring costs	R118	– 669
– Income tax	R119	– (67/77)
– Profits to be distributed	R120	– (694/6)
± Accounting adjustments ⁽¹⁾	R121	C5 + C10
Available internal resources		
(cash flow)	(A) R122	70/74 – 60 – 61 – 62 – 631/4 – 640/8 – 649 + (75 – 9125) – 65 + 6501 + 6560 – 6561 + 764/9 – 664/8 – 669 – 67/77 + 794 – 694/6 + C5 + C10

(1) Adjustments made to bring into line changes in the income statement with those of shareholders' capital on the balance sheet. These adjustments are included in the imaginary items C1 through C16.

Available internal resources	R201	R122
+ Capital subsidies	R202	15 – 15 \$ + 9125
– Tangible and intangible investments	– R203	– (R204 – R205)
<i>Acquisitions</i>	R204	(a1) + (a2) + (a3) + (a4)
<i>Change in start-up costs</i>	(a1)	8002 + 8004
<i>Acquisitions of intangible fixed assets</i>	(a2)	8029 – 8099
<i>Acquisitions of tangible fixed assets</i>	(a3)	8169 + 8229 – 8299
<i>Other changes</i> ⁽¹⁾	(a4)	C11 + C12 + C13
<i>Divestments</i>	R205	(b1) + (b2) + (b3)
<i>Sales of intangible fixed assets</i>	(b1)	8039 – 8109 – C15
<i>Sales of tangible fixed assets</i>	(b2)	8179 – 8309 – C1 – C16
<i>Net capital gains from the sale of fixed assets</i>	(b3)	763 – 663
– Increase (+ decrease) in net operating assets	– R206	– [(c1) – (c2)]
<i>Change in non-financial current assets</i>	(c1)	(3 + 40/41 + 490/1) – (3 \$ + 40/41 \$ + 490/1 \$)
<i>Change in non-financial current liabilities</i>	(c2)	(44 + 45 + 46 + 47/48 + 492/3 + 8861 + 8891 + 8901) – (44 \$ + 45 \$ + 46 \$ + 47/48 \$ + 492/3 \$ + 8861 \$ + 8891 \$ + 8901 \$)
Financing surplus (+) or need (–)	R207	R201 + R202 – R203 – R206
– Long-term financial investments	– R208	– [(d1) + (d2) – (d3)]
<i>Acquisition of fixed financial assets</i>	(d1)	8364 – 8544 + 8584 + 8634 – 8494 + 8424 + 8624 + C14
<i>Change in receivables of over one year</i>	(d2)	29 – 29 \$
<i>Sale of financial fixed assets</i>	(d3)	8374 + 8594 – 8504 – C2 – (8384 – 8514)
– Increase (+ decrease) in cash assets	– R209	– (50/53 – 50/53 \$ + 54/58 – 54/58 \$)
Total financing need (–) [or total financing surplus (+)]	R210	R207 – R208 – R209

(1) Difference between the value of the net non-financial fixed asset on the balance sheet at the close of the previous financial year and that reported in the annex.

Ressources externes		
Variation du capital et des primes d'émission	R211	10 – 10 \$ + 11 – 11 \$ + 791 – 691
Variation de l'endettement à long terme	R212	17 – 17 \$
dont: variation des dettes vis-à-vis des établissements de crédit ...	R213	173 – 173 \$
Variation de l'endettement financier à court terme	R214	43 – 43 \$ + 8801 – 8801 \$
dont: variation des dettes vis-à-vis des établissements de crédit ...	R215	430/8 – 430/8 \$ + 8841 – 8841 \$
Total des ressources financières externes	R216	R211 + R212 + R214

2. Abbreviated format

To create a supply and use table, it is first necessary to perform a series of controls to verify the consistency and accuracy of certain accounting entries. Any outcomes from the controls are added to certain items in the table. These adjustments are vital to ensure the overall balance between resources and how they are used over the financial year.

The list of control equations is presented below. The result of each control is entered under an imaginary item A (items A₁ to A₁₁). These items are included in the definition of the entries in the supply and use table.

2.1 Controls dealing with amortisation and value impairment

Only amortisation charges and value impairments reported in the income statement (item 630) may be compared with those reported in the annex:

$$A_1 = (8079 + 8279) - 630$$

Amortisation charges reported in the annex take into account exceptional amortisations but not amortisations of start-up costs. Because the amortisations incorporated into available internal resources are adjusted to the amounts indicated in the annex, those charged against start-up costs no longer show up, after adjustments, in internal resources.

2.2 Changes in shareholders' capital items on the balance sheet that do not appear in the income statement or the annex

– Difference between the "Deferred income" liability account and the corresponding change reported in the table of appropriated retained earnings in the income statement:

$$A_2 = (14P - 14\$)$$

– Difference between changes in reserves on the balance sheet and the income statement (excluding appropriations of taxable reserves):

$$A_3 = (13 - 13\$) - (6920 + 6921 + 689 - 789)$$

The comparison between changes in reserves on the liability side and the corresponding income statement entry does not take into account any appropriations. As a result, the reserves counted as internal resources comprise only the allocated amounts minus any appropriations of tax-free reserves (789): other appropriations appear in resources in the composition of external resources (appropriations of shareholders' capital, 791/2).

– The change in provisions and deferred taxes on the balance sheet may only be compared with the provisions reported on the income statement:

$$A_4 = (16 - 16\$) - (635/7 + 680 - 780 + 656)$$

From testing, it appears that, while incomplete, this control is useful because of the numerous increases in provisions on the liability side whose counterpart on the income statement is found under an item other than the one dealing with provision charges (amortisations, other charges, etc.).

– Transfers of capital gains:

$$A_5 = (12 - 12\$) - (8219 - 8239 + 8249 + 8415 - 8435 + 8445)$$

- Amount to be added to internal resources:

$$A_6 = A_2 + A_3 + A_4 + A_5$$

The above remarks thus principally affect the calculation for available internal resources, for which the chief differences relative to those calculated for the full format are to be found:

- in the realised net capital gains that are added, and
- in the appropriations of (taxable) reserves and amortisation of start-up costs, on the one hand, and differences between writebacks of amortisations and value impairments reported in the annex and those cited in the income statement ($C_1 + C_2$), on the other, which do not appear.

2.3 Difference between the value of fixed assets on the balance sheet of the previous financial year and that reported in the annex

This difference results from mergers, demergers, entities being absorbed or spun off into a subsidiary over the past financial year; it is added to (or subtracted from) the acquisition value of the fixed assets in question.

- Intangible fixed assets: $A_7 = 8059P - 8129P - 21\$$
- Tangible fixed assets: $A_8 = 8199P + 8259P - 8329P - 22/27\$$
- Financial fixed assets: $A_9 = 8395P + 8455P - 8525P - 8555P - 28\$$

2.4 Transfers between balance sheet items affecting non-financial fixed assets⁽¹⁾

- Intangible fixed assets: $A_{10} = 8049 - 8119$
- Tangible fixed assets: $A_{11} = 8189 - 8319$

(1) The transfer of financial fixed assets to other cash investments or vice versa is explicitly reported in long-term financial investments.

Number of months in the financial year

Value added	R101	9900
– Staff costs	R102	– (62)
– Other operating costs	R103	– (640/8 + 649)
Gross operating result	R104	9900 – 62 – 640/8 – 649
+ Financial income	R105	75 – 9125
+ Other exceptional income	R106	76 – (8089 + 8289 + 8485)
+ Associates' share of losses	R107	794
– Interest expenses	R108	– (65 – 656)
– Value impairment of current assets	R109	– (631/4)
– Other exceptional charges	R110	– (66 – 8475)
– Income tax	R111	– (67/77)
– Profits to be distributed	R112	– (694/6)
± Accounting adjustments ⁽¹⁾	R113	A1 + A6
Available internal resources (cash flow)	R114	9900 – 62 – 631/4 – 640/8 – 649 + (75 – 9125) – 65 + 656 + 76 – 8089 – 8289 – 8485 – 66 + 8475 – 67/77 + 794 – 694/6 + A1 + A6

(1) Adjustments made to bring into line changes in the income statement with those of shareholders' capital on the balance sheet. These adjustments are included in the imaginary items A1 through A11.

Available internal resources	R201	R114
+ Capital subsidies	R202	15 – 15 \$ + 9125
– Net tangible and intangible investments	– R203	– (R204 – R205)
<i>Acquisitions</i>	R204	20 – 20 \$ + 8029 – 8099 + 8169 + 8229 – 8299 + A7 + A8
<i>Divestments</i>	R205	8039 – 8109 – A10 + 8179 – 8309 – A11
– Increase (+ decrease) in net operating assets	– R206	– [(c1) – (c2)]
<i>Change in non-financial current assets</i> (c1)		(3 + 40/41 + 490/1) – (3 \$ + 40/41 \$ + 490/1 \$)
<i>Change in non-financial current liabilities</i> (c2)		(44 + 45 + 46 + 47/48 + 492/3) – (44 \$ + 45 \$ + 46 \$ + 47/48 \$ + 492/3 \$)
Financing surplus (+) or need (–)	R207	R201 + R202 – R203 – R206
– Long-term financial investments	– R208	– [(b1) + (b2) – (b3)]
<i>Acquisition of fixed financial assets</i> (b1)		8365 + 8386 – 8545 – 8495 + 8425 + A9
<i>Change in receivables of over one year</i> (b2)		29 – 29 \$
<i>Sale of financial fixed assets</i> (b3)		8375 – 8505 – 8385 + 8515
– Increase (+ decrease) in cash assets	– R209	– (50/53 – 50/53 \$ + 54/58 – 54/58 \$)
Total financing need (–) [or total financing surplus (+)]	R210	R207 – R208 – R209
External resources		
Change in capital and share premium account	R211	10 – 10 \$ + 11 – 11 \$ + 791/2 – 691
Change in long-term debt	R212	17 – 17 \$
of which: change in borrowings from credit institutions	R213	172/3 – 172/3 \$
Change in short-term financial debt	R214	43 – 43 \$ + 42 – 42 \$
of which: change in borrowings from credit institutions	R215	430/8 – 430/8 \$
Total external financial resources	R216	R211 + R212 + R214

Annex II – Sector groupings

SECTORAL GROUPINGS

	NACE-BEL 2008 divisions
Manufacturing industry	10-33
of which:	
Agri-food industries	10-12
Textiles, clothing and footwear	13-15
Wood, paper products and printing	16-18
Chemical and pharmaceutical industries	20-21
Metallurgy and metalworking	24-25
Metal manufactures	26-30
Non-manufacturing branches	01-09, 35-82, 85.5 and 9⁽¹⁾
of which:	
Trade	45-47
Transportation and storage	49-53
Accommodation and food service activities	55-56
Information and communication	58-63
Real estate activities	68
Business services	69-82
Energy, water supply and waste	35-39
Construction	41-43

(1) Except 64, 65, 701, 75, 94, 98 and 99.