

Results and financial situation of firms in 2012

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Introduction

Each year, in the December issue of the Economic Review, the National Bank describes the developments reflected in the annual accounts of non-financial corporations. By the autumn, the Central Balance Sheet Office already has a representative sample of annual accounts for the previous year. The conclusions based on that sample can therefore be fairly reliably extrapolated to the population as a whole.

Drawn on 13 September 2013, this year's sample comprises 241 092 companies, or 71.9% of the annual accounts filed for the 2011 financial year. In terms of value added, its representativeness is much higher, being 86.8%.

This three-part article presents an extrapolation of the main items in the operating account for the 2012 financial year. The extrapolations primarily concern value added, staff costs, depreciations and the operating result. They are itemised according to company size and according to the main branches of activity. The second part assesses the financial position of companies in terms of profitability and solvency. The third and last part examines recent corporation tax trends, focusing on the implicit tax rate, which is the most appropriate statistical measurement for assessing the tax burden.

Since last year, the population studied has reflected all the non-financial corporations as defined by the Central Balance Sheet Office, excluding head office activities (NACE-BEL 70.100). This branch, previously made up of coordination centres, now contains several hundred companies that generally provide banking or treasury management services. In recent years, these companies have seen substantial capital inflows, following the introduction of the risk capital

allowance ("notional interest"). Consequently, in 2011, the head office activities branch represented more than one-third of corporate equity capital but barely more than 1% of value added and employment. This means that this branch has a significant impact on certain aggregate financial statistics but a limited real economic effect. As a result, it has been excluded from the statistics featured in this article.

Annex 1 itemises the NACE-BEL codes for the branches of activity covered. Sectoral categories are based on the NACE-BEL 2008 nomenclature. For presentation and interpretation purposes, the structure used in this article differs slightly from the official structure of the nomenclature.

The article also makes a distinction between companies according to their size, a distinction based on the kind of format filed. Pursuant to the Company Code, small non-listed companies have the opportunity to use the abbreviated format, whereas large firms and small listed companies are required to use the full format.

The Company Code definition of a small company is one that has not exceeded one of the following limits over the last two financial years:

- the average annual size of the workforce: 50;
 - turnover (excluding VAT): € 7 300 000;
 - balance sheet total: € 3 650 000;
- unless the number of employees exceeds an average of 100 units per annum⁽¹⁾.

(1) If the financial year covers either more or less than 12 months, the turnover criterion is recalculated on a pro rata basis. If the enterprise is affiliated to one or more companies, the criterion for the annual average workforce is calculated by adding up the average annual number of workers employed by all the enterprises concerned and the criteria for turnover as well as balance sheet total are calculated on a consolidated basis. For further details, see the advisory opinion CNC 2010-5 of the Belgian Accounting Standards Commission (www.cnc-cbn.be).

In all the other cases, the company is regarded as being a large entity.

In keeping with this criteria, large enterprises are defined as those filing their annual accounts in the full format. The other companies, i.e. those filing their annual accounts in the abbreviated format, are regarded as SMEs.

1. Trends in components of the operating result

1.1 Economic climate

Starting in the second quarter of 2011, Belgium's gradual slowdown in activity continued into 2012. The persistently high level of uncertainty created by the euro area crisis and the deep recessions in countries undertaking adjustments gradually extended their effects to squeeze domestic demand in economies located in the heart of the euro area, including Belgium, whose GDP dropped by an average 0.3% throughout 2012.

This downturn is primarily the result of reduced domestic demand, generally driven by the fall in the level of household expenditure. The downward movement in private consumption appearing in early 2011 continued into 2012, except for a very limited revival in the third quarter. Such a long-lasting negative trend in household consumption, the like of which has not been seen since the early 1980s, is

mainly blamed on recent trends in the real disposable income of households, with the levels declining in 2010 and 2011, before stalling in 2012. Concurrent with weak consumer expenditure, residential investment also followed a downward path for the second year in a row: down 2.8% in 2012, in the wake of the previous 5.3% drop in 2011.

The economic conditions also made an impact on business investment. After rising again by over 8% in 2011, the climate more or less stagnated in 2012 (+0.1%). The negative contribution from changes in inventories in 2012 contrasts with the situation one year before when it made a substantial contribution to the still comparatively robust upturn in GDP. When the first signs of a new economic downturn appeared in the spring of 2012, inventory accumulation was seriously curtailed, while existing inventories were reduced as a result of which their changes made a negative contribution to the level of growth in GDP throughout 2012.

Conversely, net exports made a positive contribution equal to 0.2 percentage points to growth, notwithstanding the sharp downturn in exports in the wake of the general weakening of demand in Europe. The sluggish domestic demand was also reflected in the case of imports, which declined even more than exports, leading to an improvement in Belgium's external balance of goods and services.

Lastly, budgetary consolidation succeeded in curbing government final expenditure, which was sluggish as well in 2012 (+0.4%).

TABLE 1 GDP AND PRINCIPAL EXPENDITURE CATEGORIES

(volume data restated for seasonal variations and calendar effects; percentage changes compared to the previous year, unless otherwise stated)

	2008	2009	2010	2011	2012
Final household consumption expenditure ⁽¹⁾	2.0	0.6	2.7	0.2	-0.3
Final government consumption expenditure	2.7	1.9	0.6	1.1	0.4
Gross fixed capital formation	2.0	-8.4	-1.2	4.2	-0.6
Companies	4.2	-10.2	-3.2	8.6	0.1
Housing	-2.7	-8.6	3.1	-5.3	-2.8
Government	0.3	9.8	-1.2	5.9	0.9
Change in inventories ⁽²⁾	-0.1	-1.1	0.3	0.7	-0.2
Net exports of goods and services ⁽²⁾	-0.9	-0.6	0.7	-0.1	0.2
Exports of goods and services	2.1	-11.1	9.6	5.5	0.7
Imports of goods and services	3.4	-10.6	8.9	5.7	0.5
GDP	1.0	-2.8	2.4	1.9	-0.3

Source: NAI.

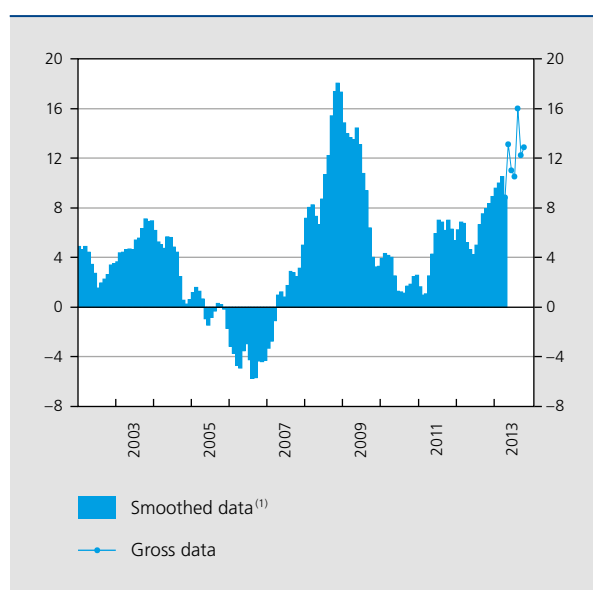
(1) Final consumption expenditure of households and non-profit institutions.

(2) Contribution to the change in GDP.

Macroeconomic trends in recent years have had an impact on how vulnerable Belgian companies are, as reflected in the bankruptcies the commercial courts reported to the Crossroads Bank for Enterprises (see chart 1). The data have to be smoothed in order to work out a trend from them, as they are highly volatile and much affected by seasonal patterns. The rise in the number

of bankruptcies peaked in the midst of the recession in 2008-2009 but subsequently dropped sharply until early 2011, thanks to the economic upturn. Since then the negative trend followed by weakening economic activity has coincided with a higher number of bankruptcies, which steadily rose until in 2013 it had reached its highest level of the past four years. All branches of activity were affected by this increased vulnerability, but the construction industry turned out to be the worst hit (the number of bankruptcies rose by 19% within the space of two years), followed by the hotel and catering sector (+17%), business services (+15%), trade (+13%) and the manufacturing industry 9%).

CHART 1 TRENDS IN THE NUMBER OF BUSINESS BANKRUPTCIES IN BELGIUM
(percentage change in the number of bankruptcies over the corresponding month of the previous year)



Sources: FPS Economy, SMEs, Self-employed and Energy; own calculations.
(1) Data smoothed by a 12-month moving average.

1.2 Global trends in the operating account

For the year 2012 as a whole, the total value added generated by non-financial corporations, i.e. the difference between the sales revenue and the cost of goods and services provided by third parties, rose by 1.4% in current prices (see table 2). The slowdown reported in 2011 therefore continued in 2012, owing to a sharp decline in the economic climate. In the context of a general slowing down of demand, companies were generally unable to reflect all their higher costs in their sales prices.

The value added a company generates enables it to cover its operating costs, the surplus being recorded as a net operating result. The latter reflects the company's current commercial efficiency, regardless of its financing policy and any exceptional items.

TABLE 2 TRENDS IN THE MAIN COMPONENTS OF THE OPERATING ACCOUNT
(current prices)

	Percentage changes compared to the previous year					In € million	In % of value added
	2008	2009	2010	2011	2012 e		
Value added	2.6	-3.6	5.5	3.7	1.4	176 400	100.0
Staff costs	5.0	-0.3	0.6	5.3	3.7	102 687	58.2
Depreciation and write-downs ⁽¹⁾	6.4	6.1	2.1	4.0	2.6	32 730	18.6
Other operating expenses	11.1	-5.2	3.0	4.7	-0.4	10 713	6.1
Total operating expenses	5.8	0.7	1.1	5.0	3.2	146 130	82.8
Net operating result	-8.6	-21.1	28.6	-1.7	-6.3	30 270	17.2

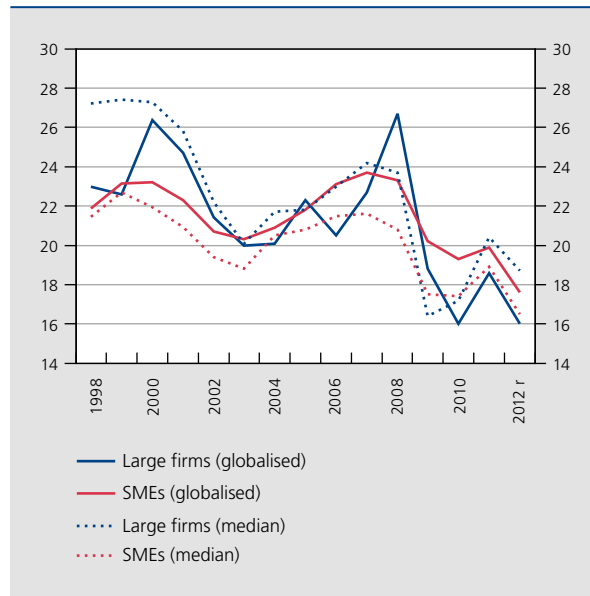
Source: NBB.
(1) On tangible and intangible fixed assets and start-up costs (item 630).

Staff costs usually make up the major part of the operating costs. Subsequent to the strong recovery seen in 2011, they continued to grow steadily in 2012 (+3.7%). This development in the overall wage bill was primarily affected by the further increase in the private sector hourly wage costs (+3.5%), which itself was mainly the outcome of the wage indexation scheme. Meanwhile, employment rose only ever so slightly throughout the year under review (+0.6% in full-time equivalents). All in all, for the fourth time in the last five years, staff costs have risen faster than value added.

After staff costs, the biggest operating expenses are represented by item 630 in the annual accounts: depreciation and write-downs on tangible and intangible assets and start-up costs. They rose fairly slowly again in 2012 (+2.6%). The overall limited upturn in depreciations in recent years reflects an investment policy that has become a lot more conservative since the onset of the financial crisis.

In the annual accounts, corporate investment spending may be examined in the light of the ratio of new tangible fixed assets. This ratio divides the tangible fixed asset acquisitions undertaken during the financial year by the inventory of tangible fixed assets at the end of the previous financial year. Whatever measurement is used, the ratio declined sharply in the wake of the 2008-2009 recession, after which it reached levels well below its long-term average (chart 2). In 2012, the ratio was affected by sluggish

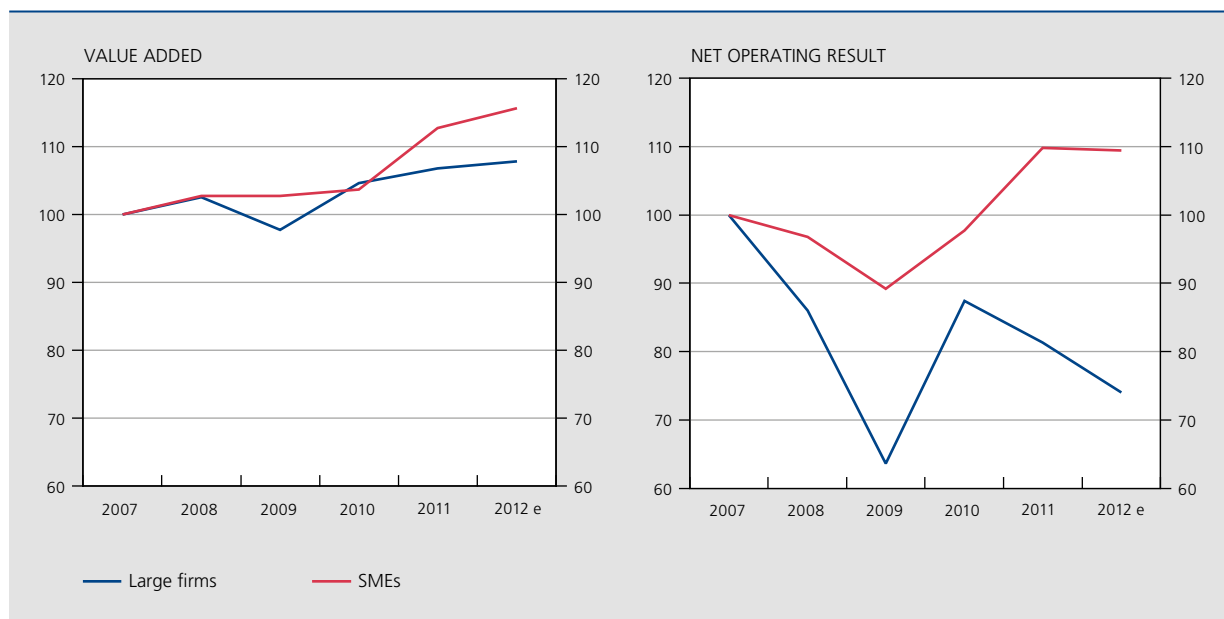
CHART 2 RATIO OF NEW TANGIBLE FIXED ASSETS (%)



Source : NBB.

demand and the subdued growth outlook, in a most uncertain environment. Changes in capacity utilisation in the manufacturing industry, which continued on its downward path, also discouraged any new investment.

CHART 3 VALUE ADDED AND OPERATING RESULT, BY SIZE OF FIRM (indices 2007 = 100)



Source : NBB.

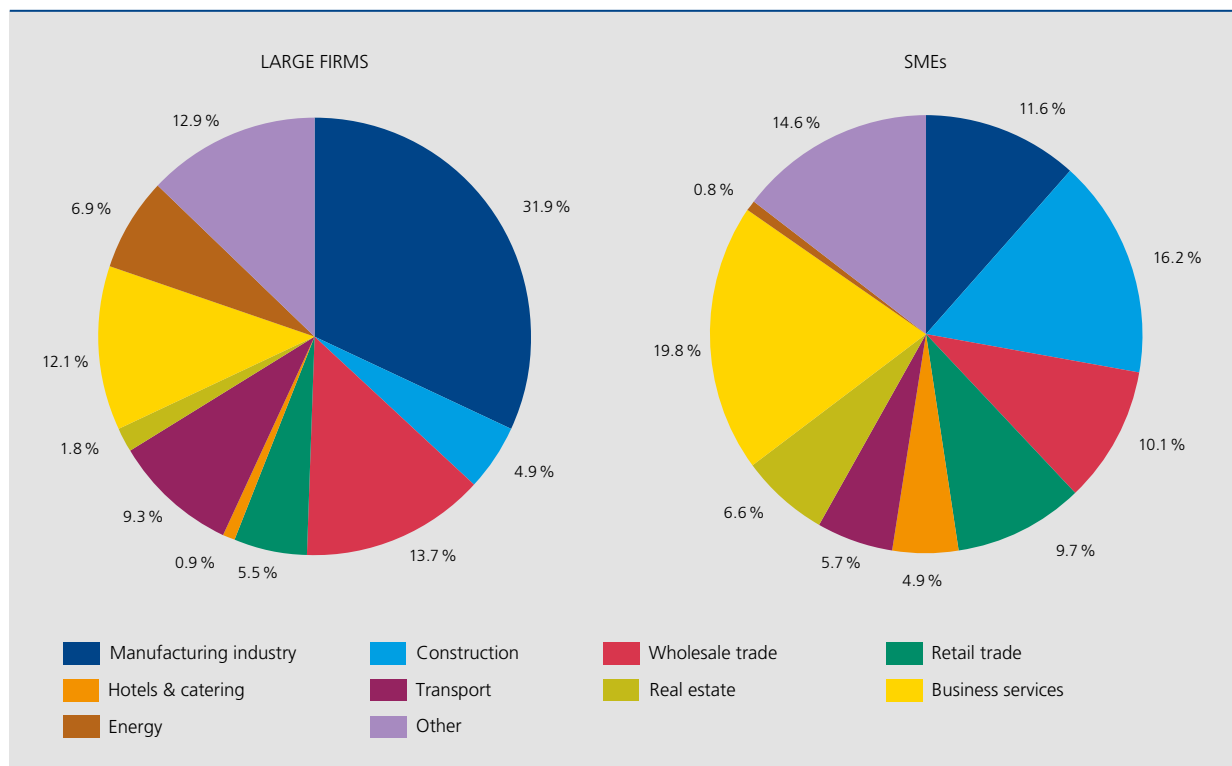
Determined to a large extent by staff costs and depreciation, the total operating expenses rose by 3.2 % in 2012. As in 2011, the rate of increase was faster than the rise for value added. This combination of higher costs and economic bad times resulted in a further decline in the net operating result (-6.3 %), which stood at € 30.3 billion in 2012. Although the operating result is still below the peak reached before the 2008-2009 recession (€ 35.5 billion in 2007), it more than doubled between 2001 and 2007, it has to be stressed.

The long-term increase in the operating result has, moreover, been a lot stronger than is the case with the other aggregates, rising by 137 % since the mid-1990s, compared with 86 % for value added, 77 % for staff costs and 82 % for depreciation and write-downs. It was mainly during the years after the 2001-2002 economic downturn that the operating result split from the other components. After peaking in 2007, the gap has narrowed in the last few years, as an indication that the recent deterioration in the business climate has made a lasting impact on firms' ability to generate profits, as underscored by the trend in profitability ratios (see paragraph 2.1).

The company-size-based analysis shows developments have been distinctly more favourable to SMEs in recent years (chart 3). The value added of SMEs has risen by 16 % since 2007, compared with 8 % for large firms. The operating result has also fared a lot better in the case of SMEs: after going into a decline in 2008 and 2009, it recovered strongly so that by 2012 it had reached a much higher position than the level attained before the onset of the financial crisis. Conversely, large firms' trading performances suffered considerably more from the unfavourable economic climate in recent years, including in 2011 and 2012.

Large firms are generally more sensitive to economic cycles as a result of being significantly more inclined towards industrial activities and international trade. As a reminder, 31.9 % of the value added of large firms is attributed to the manufacturing industry, compared with 11.6 % for SMEs. These smaller businesses are, however, more involved in branches reliant on domestic demand, including construction, the retail trade, the hotel and catering sector, real estate and business services (see chart 4). Accordingly, SMEs have been less exposed to cyclical fluctuations in recent years, as these have been primarily determined by the international environment.

CHART 4 BREAKDOWN OF VALUE ADDED BY BRANCH OF ACTIVITY
(percentage changes over the previous year)



Source : NBB.

1.3 Differences between branches of activity

The manufacturing branches were the main contributors to the slowdown in 2011, as a result of a loss of dynamism in trade and higher raw material prices. However, the further slowdown in 2012 was primarily attributable to domestic demand-driven branches, including most of the non-manufacturing ones (see table 3).

Consequently, the retail trade has been particularly affected by weak household consumption since early 2011: this branch's value added and operating result in 2012 suffered their worst performance for over 15 years. Trade in motor vehicles was particularly affected by the propensity of households to postpone their purchases of durable goods and public authority

decisions to axe some of the financial support granted for the purchase of environmentally friendly vehicles. The construction sector's activity also reflects sluggish domestic demand, and, more specifically, weak levels of investment in housing and the loss of momentum in corporate investment spending. Lastly, the energy branch has to contend with lower volumes being sold (particularly in the corporate segment) and lower margins owing to various factors such as competition and regulatory measures.

The trends in the manufacturing branches broadly reflected specific conditions on the markets where firms operate. For example, the pharmaceuticals industry performed very well in 2012, whereas in 2011 it was experiencing the aftermath of 2010 dominated by high levels

TABLE 3 VALUE ADDED AND OPERATING RESULT PER BRANCH OF ACTIVITY
(percentage changes compared to the previous year)

	Value added		Net operating result		<i>p.m.</i> Branch's share, in % of total value added in 2012 e
	2011	2012 e	2011	2012 e	
Manufacturing industry	-0.4	0.6	-6.9	-10.0	26.6
of which:					
Agri-food industries	0.0	3.7	-8.9	8.9	4.1
Textiles, clothing and footwear	-1.7	0.6	-18.5	12.8	0.8
Wood, paper and printing	1.7	0.4	4.7	-4.9	1.8
Chemicals industry	2.3	-5.4	-1.0	-24.7	3.7
Pharmaceuticals industry	-13.8	7.3	-38.6	40.1	2.9
Metallurgy and metalworking	2.8	-4.9	-16.3	-84.2	3.7
Metal manufactures	1.0	1.4	16.3	-1.7	5.4
Non-manufacturing branches	5.3	1.7	0.3	-5.1	73.4
of which:					
Trade in motor vehicles	12.2	-4.9	29.1	-25.1	2.5
Wholesale trade ⁽¹⁾	2.0	1.1	-7.4	-4.8	12.8
Retail trade ⁽¹⁾	5.8	1.2	3.7	-7.4	6.6
Transport and storage	0.4	2.2	n.s.	n.s.	8.4
Hotels, restaurants and catering	9.5	2.1	16.8	-30.0	2.0
Information and communication	2.7	1.6	1.2	-7.3	7.0
Real estate activities	6.9	7.8	4.1	7.4	3.1
Business services	9.2	4.1	11.5	1.2	14.2
Energy, water and waste	4.9	-8.4	2.8	-30.0	5.3
Construction	8.2	4.1	3.4	6.1	7.9
Total	3.7	1.4	-1.7	-6.3	100.0

Source: NBB.

(1) Excluding trade in motor vehicles.

of revenue. Owing to its innovative side and high level of value added, the pharmaceuticals industry was generally less affected by the financial crisis than the other industrial branches. Unlike the metal industry, which continued to experience the negative after-effects of an unpromising international climate, dominated, in particular, by the shutdown or indeed even closure of production units. Chemicals companies had to contend with a sharp cut in their margins in 2012, particularly because of fluctuations in prices for certain industrial raw materials and energy products.

2. Trends in the financial situation of firms

The financial analysis which follows is based on the theory of interpretation of the annual accounts, from which several ratios have been borrowed. They are defined in detail in Annex 2.2.

The financial ratios are presented in the form of global figures and medians. The globalised ratios are obtained by taking the sum of the numerators of all companies and dividing it by the sum of their denominators. The median is the central value in an ordered distribution: for a given ratio, 50 % of firms have a ratio above the median and 50 % have a ratio below the median. The two measures are complementary since they focus on different points of interest. Since it takes account of the weight of each firm in the numerator and in the denominator, the globalised figure primarily reflects the situation of the largest firms. In contrast, by indicating the position of the central firm, the median reflects the picture for the distribution as a whole: it is in fact influenced equally by every firm, regardless of size.

2.1 Profitability

Profitability is assessed on the basis of four ratios: the net margin on sales, the return on operating results, the return on equity and the return on total assets.

The net margin on sales is equal to the ratio of net operating result to revenues⁽¹⁾. It expresses the commercial performance of a business unit, independent of financing, exceptional results and tax considerations. For SMEs, the ratio can only be calculated if revenues are reported in the annual accounts.

The net return on operating assets is the ratio of net operating result to operating assets. The latter are defined as the sum of non-financial fixed assets, inventories, receivables at less than one year and adjustment accounts⁽²⁾.

Other assets (financial fixed assets, amounts receivable after one year, investments and available assets) are regarded as financial assets and are not included in the ratio's denominator. Thus, the ratio expresses the commercial performance relative to the balance sheet items directly involved in operations.

The return on equity is the net profit after tax divided by equity capital. This ratio indicates the return which shareholders receive after the deduction of all expenses and taxes. From a strictly financial standpoint, it is therefore the ultimate measure of profitability.

Lastly, the net return on total assets before taxes and financial expenses measures the firm's profitability relative to all of the resources at its disposal. Profits are considered before taxes and financial expenses so as to be independent of taxation and financing policy. As a result, the ratio is sometimes called "economic return".

Chart 5 shows the trend in the four ratios defined. In 2012, irrespective of the measurement under consideration, profitability declined for both large firms and SMEs. In some cases, and more specifically the globalised profitability of large firms, the downturn started as early as 2011. By late 2012, most of the ratios examined had reached levels that were the lowest for the last 10 or even 15 years. Overall, corporate profitability was therefore clearly affected by the economic conditions in recent years.

Table 4 itemises the trend in the net margin on sales for each branch of activity, in globalised terms. The lower margins since 2007 are seen to have affected most of the branches under consideration but to extents that vary quite a bit. Solely the pharmaceutical industry and certain technological industries (in metal manufactures) reported an increase for this period.

The branches with the highest margins in 2012 were real estate activities (22.6%), the pharmaceuticals industry (12.7%) and telecommunications (10.0%). The significant real estate margins have to be qualified by other profitability measurements: expressed in relation to equity and total assets, the branch's profitability is a lot lower than the general average (see Annexes 3 and 4).

Lastly, chart 6 describes the margin distribution trend for a selection of manufacturing branches. One can see that both

(1) In the case of large firms, the revenue is increased by other operating income and reduced by operating subsidies.

(2) This is the definition proposed in Ooghe and Van Wymeersch (2006), *Traité d'analyse financière*, Intersentia, Antwerp-Oxford.

the most profitable and less profitable strata are affected by the economic cycle: good economic times generally coincide with an upward shift in the distribution, whereas negative periods are associated with a downward shift.

The movements are apparently often more pronounced at the lower end of the distribution, showing that the percentage of unprofitable companies is more sensitive to cyclical fluctuations than the percentage of highly profitable ones.

Each branch is also observed to have its own specific features. For example, the agri-food industry is characterised

by weak dispersion and a limited sensitivity to the economic situation. Conversely, the distribution of metal manufactures is wider and much more affected by the economic cycle, particularly at its lower end.

2.2 Solvency

Solvency is the ability of firms to honour their short- and long-term liabilities. This criterion is of key importance for the financial assessment of a firm, while figuring prominently in the model of financial health developed by the Bank.

CHART 5 PROFITABILITY TRENDS (%)



Source : NBB.
(1) Excluding exceptional results.

The main measurement of solvency is the degree of financial independence. This is equal to the ratio between equity and total liabilities. If the ratio is high, the firm is independent of borrowings, and that has two positive effects: first, interest charges are low and therefore do not weigh heavily on profits, second, new debts can easily be contracted if necessary, on good terms. The degree of financial independence can also be interpreted as a measure of the financial risk incurred by the firm, since the remuneration of third parties is fixed, in contrast to the firm's results, which fluctuate over time.

In 2012, the globalised ratio for large firms rose 0.7 points for large firms and 1.2 points for SMEs, to reach 44.7 % and 39 % respectively (see chart 7). The entire population again experienced an upward movement: the median ratio for large firms rose 1 point, that for SMEs 1.5 points.

These developments may paint a picture of constantly improving solvency but an analysis of the entire distribution requires this conclusion to be qualified. One particular finding is that the increase mainly benefited the most solvent among the population, and numerous companies have gone against the majority tide. In particular, a steady increase in the percentage of companies with negative equity has been observed: rising from 14.9 % to 17.3 % over the last 15 years.

Another way of measuring solvency is to examine the degree of self-financing: this involves dividing the sum of the retained earnings by total liabilities. This ratio is also very often found in failure predictions models, as it reflects a company's past profitability, dividend policy and, indirectly, its longevity. A long-established firm having amassed profits and applying a conservative dividend

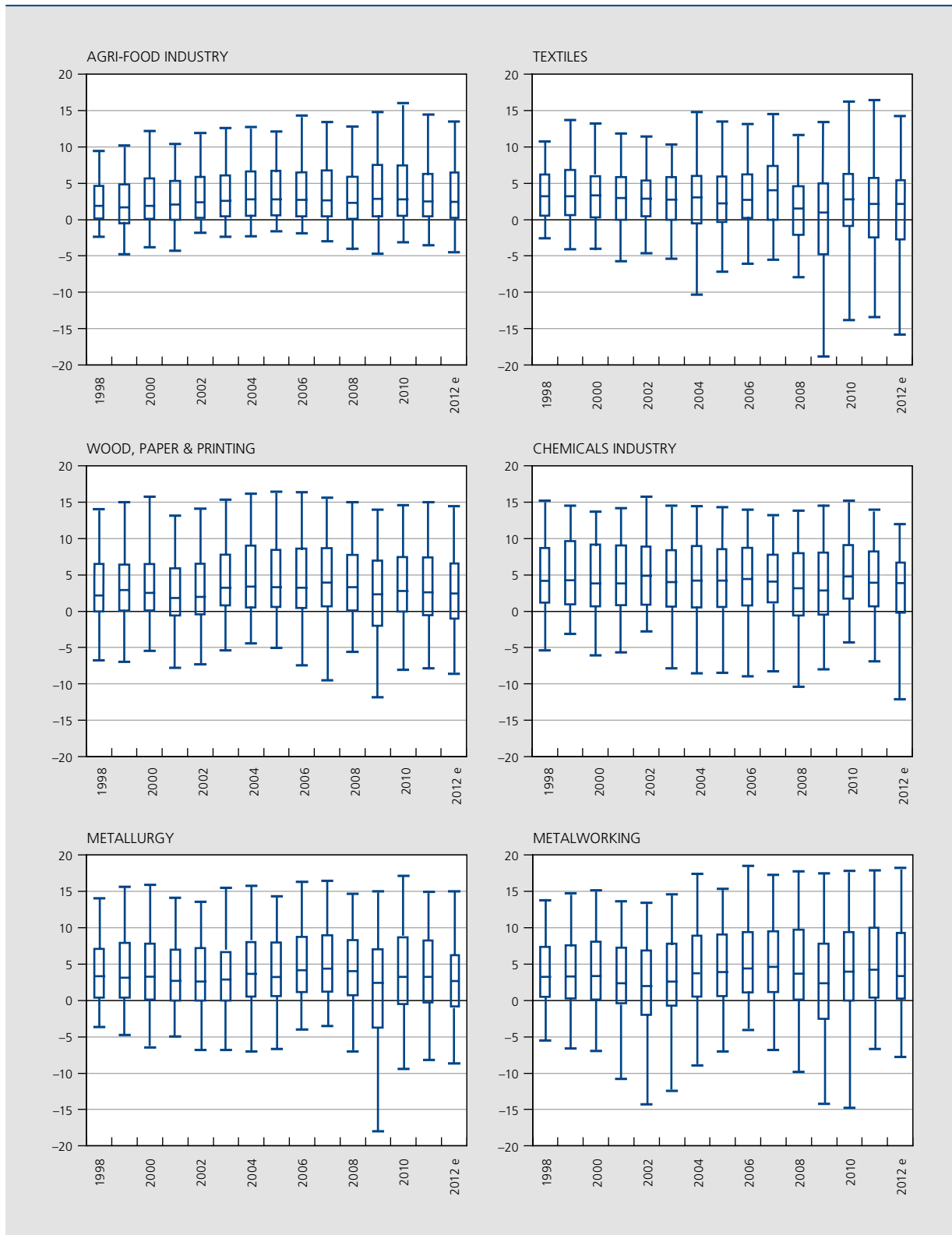
TABLE 4 NET MARGIN ON SALES IN LARGE FIRMS, BY BRANCH OF ACTIVITY
(globalised, in %)

	2007	2008	2009	2010	2011	2012 e	Δ 2007-2012
Manufacturing industry	4.8	3.4	3.2	4.5	3.6	3.2	-1.6
of which:							
Agri-food industries	3.8	3.4	4.6	4.0	3.2	3.4	-0.4
Textiles, clothing and footwear	4.1	1.3	2.0	3.9	2.8	3.1	-1.0
Wood, paper and printing	6.0	4.4	4.0	4.7	4.5	4.3	-1.7
Chemicals industry	5.2	2.5	3.2	5.5	5.2	3.8	-1.4
Pharmaceuticals industry	10.7	10.4	15.4	14.0	8.8	12.7	+2.0
Metallurgy and metalworking	5.4	2.9	-0.6	2.8	1.7	-0.1	-5.5
Metal manufactures	4.5	3.6	2.7	5.1	5.3	5.2	+0.7
Non-manufacturing branches	4.6	4.3	4.0	4.1	3.6	3.4	-1.2
of which:							
Trade in motor vehicles	2.2	1.1	0.6	1.5	2.0	1.6	-0.6
Wholesale trade ⁽²⁾	2.8	2.2	1.3	2.2	1.7	1.6	-1.2
Retail trade ⁽²⁾	3.4	3.1	3.3	3.6	3.5	3.2	-0.3
Transport and storage	5.8	6.5	7.4	4.7	2.7	3.5	-2.3
Hotels, restaurants and catering	4.8	4.4	1.3	2.2	2.4	1.5	-3.2
Information and communication	12.1	12.2	11.5	11.2	11.0	10.0	-2.2
Real estate activities	27.0	43.2	28.9	23.1	22.4	22.6	-4.4
Business services	4.9	4.9	3.8	4.9	4.5	4.5	-0.4
Energy, water and waste	6.2	5.6	6.5	6.5	6.5	5.1	-1.1
Construction	4.9	4.6	3.9	4.3	3.6	3.9	-1.0
Total	4.7	4.0	3.8	4.2	3.6	3.3	-1.4

Source: NBB.

(1) Excluding trade in motor vehicles.

CHART 6 DISTRIBUTION OF THE NET MARGIN ON SALES IN LARGE FIRMS – SELECTION OF MANUFACTURING BRANCHES ⁽¹⁾⁽²⁾
(in %)



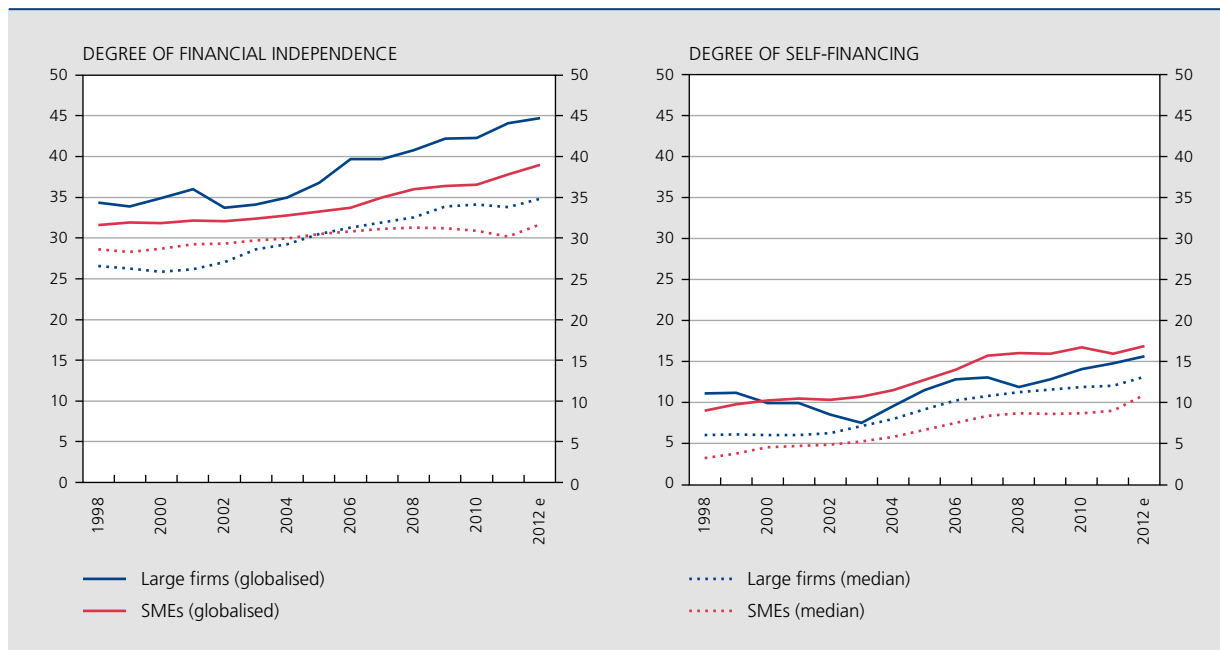
Source : NBB.

(1) Number of companies analysed (2011): 608 in the agri-food industry, 223 in the textile industry, 350 in the wood, paper and printing category, 271 in the chemicals industry, 536 in the metal industry and 539 in metal manufactures.

(2) The box plots are interpreted as follows. The bottom and top ends of the box correspond to the 1st and 3rd quartiles respectively. The line inside the box relates to the median value. The ends of the lower and upper whiskers correspond to the 1st and 9th decile respectively.

CHART 7 FINANCIAL INDEPENDENCE AND DEGREE OF SELF-FINANCING

(in %)



Source : NBB.

policy is less of a risk than a start-up that has not yet been able to build up reserves. As shown in chart 7, this ratio, too, has taken an upward path over the last 15 years, both in globalised and median terms. As with the degree of financial independence, it needs to be borne in mind that the lower end of the distribution declined during the same period.

The average interest charges on financial debts assess the cost of recourse to external sources of funding. The ratio divides charges on debts by the sum of short- and long-term financial debt. The ratio is not calculated for SMEs because their income statements make it impossible to pinpoint the charge on debt⁽¹⁾.

After a significant fall in 2009 and 2010, concurrently with the easing of the euro area monetary policy, the globalised ratio for large firms has since levelled off at just under 4%, fluctuating very little in 2011 and 2012 (chart 8). The median ratio followed a similar trend, albeit less markedly so. During the last two years under review, the cost of financial debt therefore remained at an all-time low. This is also demonstrated in statistics based on MIR surveys⁽²⁾ and corporate bond yields.

(1) In the abbreviated format, charges on debt are encompassed in the "financial charges" line (item 65).
 (2) MIR surveys are harmonised surveys of the euro area, referring to the rates monetary financial institutions apply to deposits and loans of non-financial corporations and households.

Lastly, it needs to be emphasised that since the onset of the financial crisis, firms have turned increasingly to non-bank sources of funding, particularly corporate bonds. Between 2008 and 2012, the proportion of bank loans in corporate financial debt fell from 44.7% to 35.3%, while the proportion of bond loans rose from 5.1% to 11.1% (chart 9). This shift in the finance structure was the result, in particular, of tighter bank financing conditions and comparatively weak yields related to corporate bonds. Representing the bulk of the item "other borrowings", the proportion of intra-group loans remained particularly stable over the last decade, fluctuating between 43% and 47%. Lastly, the use of subordinated loans, which generally also concern inter-company loans, has increased somewhat over the last few years, while remaining fairly marginal.

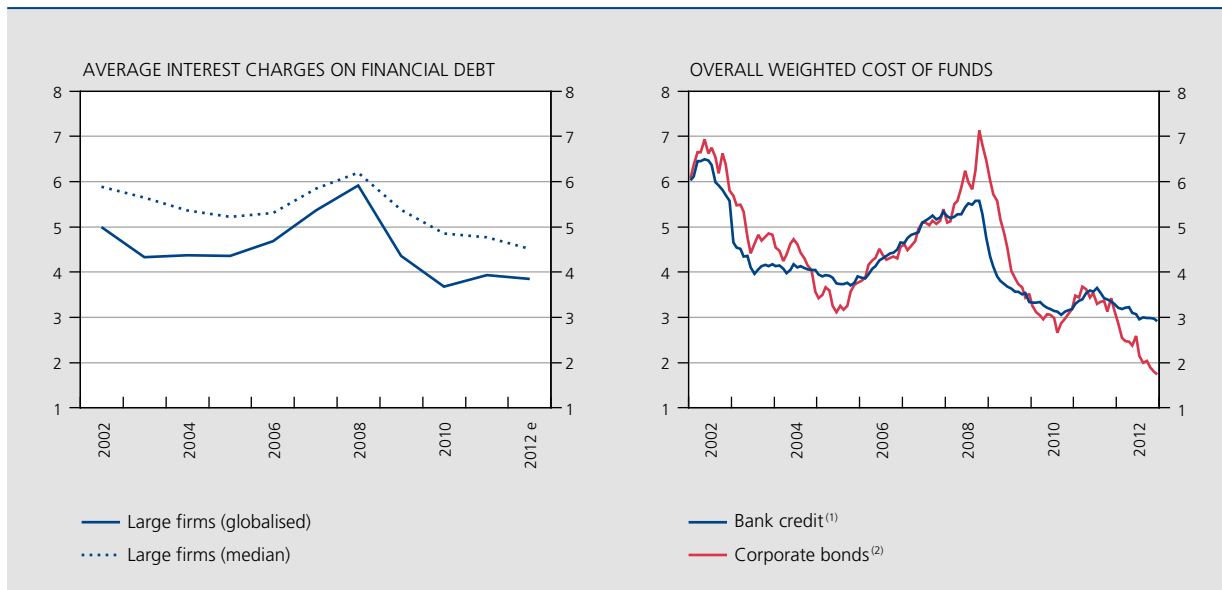
3. Recent corporate tax trends

3.1 Introduction

This section discusses recent corporate tax trends, as shown in annual accounts filed with the Central Balance Sheet Office.

Tax paid by corporations may be assessed using the item "Income taxes" (67/77 in the annual accounts). This item

CHART 8 FINANCING COSTS
(in %)



Sources : NBB, Thomson Reuters Datastream.

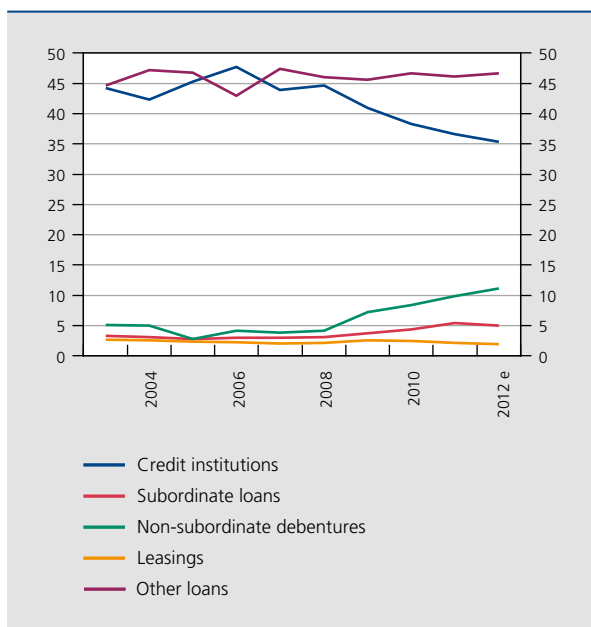
(1) Weighted average rate applied by Belgian banks on loans to businesses, as reflected in the MIR survey. The weighting is based on amounts outstanding for different types of credits.

(2) Yield of an index of euro-denominated bonds issued by non-financial corporations in the euro area, all maturities combined; index weighted by outstandings.

first of all deals with taxation relative to the profit or loss for the financial year, i.e. primarily taxes and withholding taxes due or paid, provisions in the event of a tax dispute and

foreign taxes. The item also applies to additions to previous results plus adjustments of income taxes and any write-back of tax provisions⁽¹⁾.

CHART 9 FINANCIAL DEBT BREAKDOWN TRENDS
(in %, large firms)



Source : NBB.

The overall amount indicated in the item followed a clear upward trend between 1998 and 2007, gradually rising from € 5.2 billion to € 9 billion (chart 10) and has since fluctuated according to the economic climate, to stand at € 8.4 billion in 2012. The ratio between tax on earnings and value added over the same period fluctuated within a 4.5-5.6 % range. The ratio might be applied on a regular basis but it does not allow the tax burden on companies to be assessed, as the value added does not correspond to the taxable base nor does it develop in the same way. Hence this section is focused on the implicit tax rate concept, as the most suitable statistical measurement.

3.2 Implicit tax rate concept

Three measurements of the tax burden on company profits are generally singled out: the nominal rate, the effective rate and the implicit rate. The nominal rate is the most direct measurement insofar as it corresponds to the standard rate applied to the taxable amount. However,

(1) For a detailed description of what the item involves, see Article 96 of the Royal Decree of 30 January 2001 implementing the Company Code.

this rate fails to offer a full picture of the tax burden, as the taxable amount may vary significantly owing to tax relief, depreciation methods or preferential systems. The effective rate is a measurement calculated for specific circumstances, factoring in various parameters, such as the nominal rate, depreciation methods and deductions. Lastly, the implicit rate under consideration here is a statistical estimate obtained by dividing the tax revenue by an aggregate representative of a company's earnings.

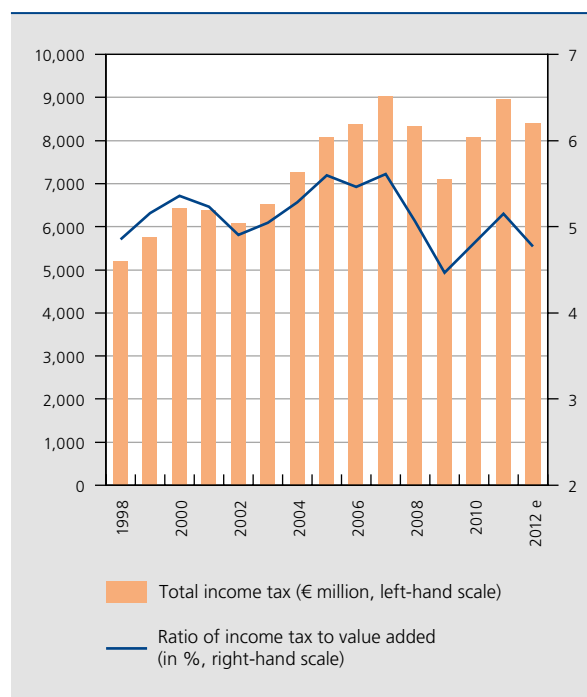
The implicit tax rate for companies can be calculated in several ways, starting with three sources: national accounts, fiscal statistics and annual accounts. Each source has its pros and cons. The Central Balance Sheet Office data can be used to pinpoint profit-making companies and calculate a rate for them only. They can also be used to calculate dispersion measurements on the basis of individual data. On the other hand, the annual accounts allow only an approximate representation to be made of the fiscal concepts used for taxation.

As Valenduc (2004) nonetheless emphasises, the denominator of the implicit rate has to be consistent with an aggregate that approximates the economic concept of revenue, rather than the aggregate that most closely approximates the taxable amount. The idea underlying the implicit tax rate is not to copy an average tax rate obtained on the basis of the tax data but indirectly to obtain an economic indicator of the effective tax burden. Accordingly, when a share of the revenue is exempt that should result in a gap between the implicit tax rate and the corresponding nominal tax rate⁽¹⁾. At the same time, the movement of the indicator rather than its level is what needs to be analysed first of all. Comparative investigations also demonstrate the variety of outcomes obtained in the light of the source and method applied⁽²⁾. In other words, no single definition of implicit tax rate is available, which is why several tests were undertaken, at the end of which the most relevant measurements were chosen.

The findings are shown in chart 11, in both globalised and median terms. A further globalised rate including head office activities (NACE-BEL 70100) is also calculated. Formerly covering coordination centres, this branch now features many inter-group finance companies that are notable, in particular, for a heavy reliance on the risk capital allowance system ("notional interest").

Lastly, for illustrative purposes, the implicit rate calculated by Eurostat on the basis of national accounts is also featured⁽³⁾. This overall rate applies to all private companies, including financial corporations. This population may therefore be slightly different to the one under consideration here but the results obtained are nevertheless similar.

CHART 10 TRENDS IN THE TAX ON THE INCOME FROM NON-FINANCIAL CORPORATIONS



Source : NBB.

3.3 Calculation method

After an analysis, two implicit tax rate measurements were chosen that differ according to the treatment of capital gains, write-downs and capital losses on shares. In the case of the first rate, these transactions are regarded as part of corporate profits. For the second one, they are deducted on the same basis as finally taxed income (FTI). Conversely, the two rates have the same numerator: the "income taxes" item in the annual accounts (see above).

The denominator of the first rate reflects pre-tax earnings as shown in the annual accounts (item 9903), minus an estimate of the FTI. Solely feasible for large firms (i.e. firms filing full-format accounts), this adjustment is achieved by multiplying the revenue from financial fixed assets (item 750) by the proportion of investment in financial fixed assets entered on the asset side of the balance sheet. Applicable subject to certain conditions, the FTI system seeks to avoid taxing the same earnings

(1) Valenduc (2004), "Les taux d'imposition implicite du travail, du capital, de la consommation et des transferts sociaux", *Bulletin de documentation of FPS Finances*.

(2) See, for example Central Economic Council (2012), "Methodologies utilisées pour le calcul des taux d'imposition implicite", CEC briefing note 2012-0224.

(3) See Eurostat (2013), *Taxation trends in the European Union. Data for the EU Member States, Iceland and Norway*, Luxembourg, Office for Official Publications of the European Communities.

several times when they are transferred from a subsidiary to a parent company, according to the *non bis in idem* principle.

Apart from its downward trend, the distinctive feature of the first rate is a significant level of volatility in the case of the globalised ratio (see chart 11). This volatility is largely due to a few capital gains, write-downs and capital losses on shares⁽¹⁾. Until very recently, also under the *non bis in idem* principle, gains on the sale of shares were untaxed in most cases, as the gain was deemed to represent an increase in value already subject to taxation as a result of earnings entered in the reserves by the subsidiary⁽²⁾. This view often gives rise to a debate, as a rise or fall in the value of a share is dependent on other factors, such as the growth outlook, the competitive position and the market supply⁽³⁾. The capital gains taxation scheme in 2012 underwent two changes applicable in the 2014 tax year: a) capital gains on shares held for less than one year are to be subject to the separate rate of 25.75 % and b) a specific 0.412 % contribution will be applied to exempt capital gains realised by large firms⁽⁴⁾.

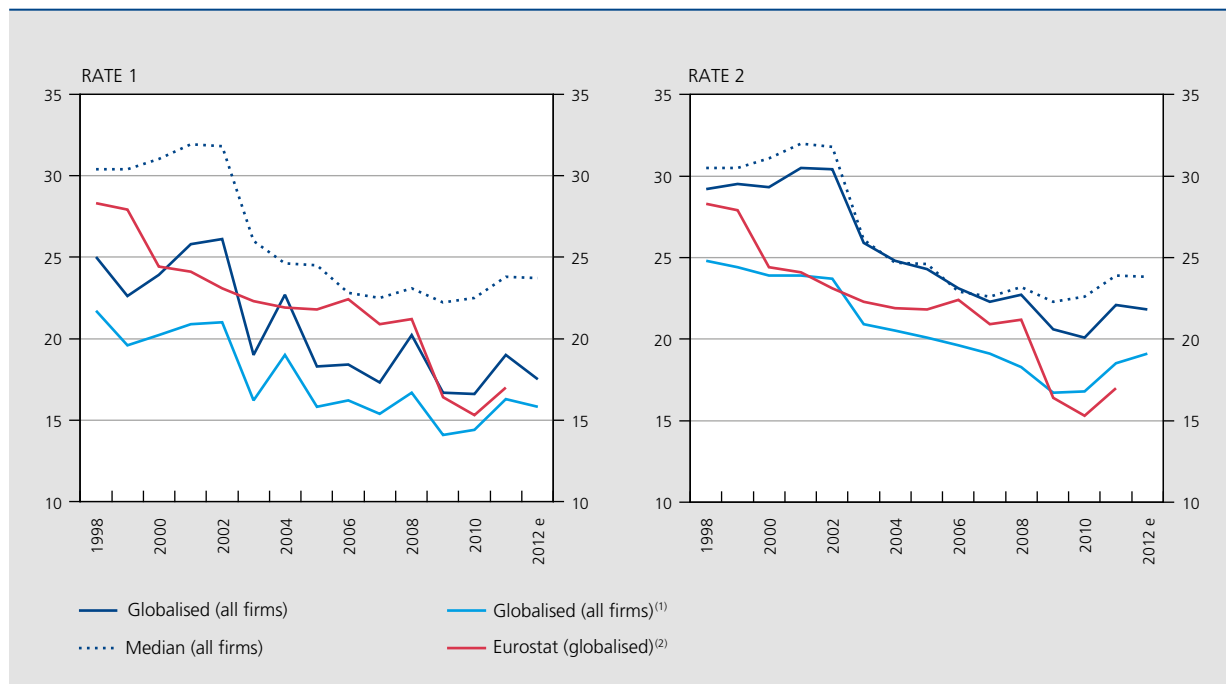
In the annual accounts, transactions in shares cannot be pinpointed because they are encompassed with other

exceptional entries within items 763 ("Gains on disposal of fixed assets"), 663 ("Loss on disposal of fixed assets"), 661 ("Amounts written down on financial fixed assets") and 761 ("Amounts written back on financial fixed assets"). A survey conducted involving 50 or so annual accounts nonetheless showed that the bulk of the amounts recorded under these items relate to share transactions that have so far been exempt or non-deductible and are, moreover, generally entered in the notes to the accounts as a source of discrepancy between the profit for accounting purposes and the taxable profit.

In the light of the foregoing, and with due regard to the discussion about exempting capital gains on shares, a second rate has been calculated, whose denominator is obtained as a result of correcting the first rate's denominator for the

- (1) As an example, the fluctuations affecting the first rate in 2002 and 2004 can be largely attributed to a gain on the sale of shares in 2003 by the Belgacom telecom company, for the sum of almost € 6 billion. This exempt capital gain succeeded in inflating the denominator of the ratio, as a result of which the implicit ratio fell in 2003 only to rebound in 2004.
- (2) Capital gains realised on shares were completely untaxed, provided any revenue from these shares are deductible by way of FTI. Write-downs and losses on shares were usually non-deductible.
- (3) See in this respect the bill, introduced by Mr John Crombez in 2009 (legislative document N° 4-1476/1) seeking to amend Article 192 of the Income Tax Code concerning the exemption of capital gains on shares in the context of company taxation.
- (4) However, write-downs and losses on shares will continue to be non-deductible.

CHART 11 IMPLICIT TAX RATE FOR NON-FINANCIAL CORPORATIONS
(in %)



Source : NBB.

(1) Including head office activities (NACE-BEL 70.100).

(2) All private companies, including financial corporations, regardless of size. Data available until 2011.

TABLE 5 TRENDS IN THE IMPLICIT TAX RATE IN NON-FINANCIAL COMPANIES SINCE 1998
(in %)

	1998	2005	2012 e	Δ 1998-2012	Δ 2005-2012
Rate 1					
Globalised (all companies)	25.0	18.3	17.5	-7.4	-0.8
Globalised (all companies) ⁽¹⁾	21.7	15.8	15.8	-5.9	0.0
Median (all companies)	30.4	24.5	23.7	-6.7	-0.9
Rate 2					
Globalised (all companies)	29.2	24.3	21.8	-7.4	-2.5
Globalised (all companies) ⁽¹⁾	24.8	20.1	19.1	-5.7	-1.0
Median (all companies)	30.5	24.6	23.7	-6.8	-0.9

Source: NBB.

(1) Including head office activities (NACE-BEL 70100).

amounts entered under items 761, 763, 661 and 663. This adjustment is feasible only for large firms, as the annual accounts of SMEs fail to itemise the exceptional result components. The main impact is on the globalised rate, which is becoming less volatile, reaching a significantly higher rate, because the most substantial correction applies to exempt capital gains (which are therefore subtracted from the denominator).

3.4 Explanatory statement

The results achieved are described in chart 11 and table 5. All the statistical data are itemised in Annex 5. In globalised terms, the first rate stood at 17.5 % in 2012, compared with 21.8 % for the second one. In median terms, however, the two measurements, have reached the same level (23.7 % in 2012), underscoring the fact that the correction for share transactions applies to a minority of firms. Meanwhile, extending the population to cover head office activities means a drop in the globalised rates. The distinctive feature of this branch is a tax rate well below the average, mainly because of a heavy reliance on notional interest.

The two tax rates examined have fallen sharply over the last 15 years: according to the measurement under consideration, the decline came to between 5.7 and 7.4 percentage points. The downward trend has clearly slowed in recent times, mainly because of a slight recovery over the last few years.

Overall, these trends reflect the changes made to corporate tax over 15 years.

An initial reform set out in the Law of 24 December 2002 and which came into force on 1 January 2003 significantly reduced nominal tax rates. The standard rate fell from 40.17 % to 33.99 % (including the supplementary crisis contribution equal to 3 %), and the lower rates for taxable profits under € 322 500 have also been cut⁽¹⁾. In the case of SMEs, the reform has also provided an exemption for profits earmarked for investment spending and an additional tax charge exemption when no or insufficient advance payments have been made over the past three financial years. In a bid to achieve budgetary neutrality, several offsetting measures have been adopted, such as tighter conditions for applying the FTI system, a change to the rules on depreciation for firms not enjoying lower rates⁽²⁾, and the application of a withholding tax of 10 % on liquidation surpluses.

Established by the Law of 22 June 2005, the second reform applies to the risk capital allowance, more commonly referred to as "notional interest". Taking effect in the 2007 tax year, this measure allows firms to deduct from taxable income a notional amount of interest calculated on the basis of their equity after "adjustment". The

(1) The lower rates apply subject to certain conditions (see Article 295 of the Income Tax Code). Pursuant to the Law of 24 December 2002 they are set as follows, for every taxable base:

- on € 0 to 25 000: 24.98 % (including the supplementary contribution)
- on € 25 000 to 90 000: 31.93 %
- on € 90 000 to 322 500: 35.54 %

As a reminder, they were set as follows prior to the reform:

- on € 0 to 25 000: 28.84 %
- on € 25 000 to 89 500: 37.08 %
- on € 89 500 to 323 750: 42.23 %

(2) a) The depreciation provisions have to be included in proportion to the length of time involved and b) incidental purchasing costs have to be depreciated at the same rate as the asset acquired and no longer just once during the year of acquisition.

TABLE 6 INTEREST RATE EFFECTIVELY APPLICABLE IN THE CONTEXT OF THE RISK CAPITAL ALLOWANCE (in %)

Tax year	Base rate	Higher rate for SMEs
2007	3.442	3.942
2008	3.781	4.281
2009	4.307	4.807
2010	4.473	4.973
2011	3.800	4.300
2012	3.425	3.925
2013	3.000	3.500
2014	2.742	3.242

Source: NBB.

purpose of this measure is to narrow the tax treatment gap between debt financing and equity financing, while offering an alternative to the termination of the coordination centre scheme⁽¹⁾. Deductible notional interest is calculated as a result of subjecting adjusted equity to a rate based on the yield on 10-year linear bonds issued by the Belgian government. The rate for SMEs is increased by 0.5 percentage points. The equity adjustment primarily seeks to avoid cumulative deductions and prevent any abuse⁽²⁾.

The Law of 22 June 2005 also abolished the 0.5 % registration fee on contributions to companies. The legislation also features measures for ensuring budgetary neutrality. The estimates submitted during the parliamentary proceedings showed that the prime offsetting provision applies to exemptions for capital gains realised, where solely the net amount (i.e. excluding charges related to the realisation) is now exempt⁽³⁾.

Various legal provisions have gradually curbed the impact of the deduction in recent years. This set of restrictions is the chief cause of the small increase in the implicit tax rate since 2010. The basic rate applied for the deduction has therefore been capped at 3.8 % (tax years 2011 and

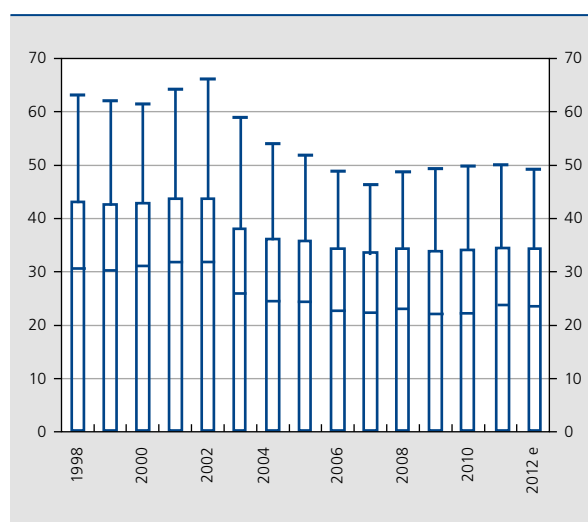
(1) The coordination centre scheme used to apply to companies whose purpose is the management of financial flows within a group of companies.
 (2) The equity capital is reduced in particular by the net fiscal value of the company's own shares or in the nature of financial fixed assets. For a more detailed description of the procedures for applying the risk capital allowance, see, in particular, Vivet D. (2012), "Results and financial situation of firms in 2011", NBB, *Economic Review*, December.
 (3) The other offsetting measures are the abolition of the deduction for investment (with the chief exception of environmentally friendly investment) and the abolition of the tax credit for new shareholders' equity.
 (4) Before, any interest not deducted could be carried forward for seven years.

2012), then 3 % (starting from the 2013 tax year). As shown in table 6, the rates applied since the deduction was introduced followed an upward path until 2010, as a result of the gradual increase in the yield on linear bonds. They have since plummeted as a result of being capped, followed by the lower yield on government bonds. Apart from the lower rates, the scope for carrying forward interest whose value exceeds the taxable amount was abolished in the 2013 tax year⁽⁴⁾. Deferred interest not deducted before the 2013 financial year will remain available for seven years but according to stricter rules.

Lastly, analysis of individual accounts provides a means of calculating the entire implicit tax rate distribution (chart 12). In keeping with the median and globalised measurements, the entire distribution shifted downward in the wake of the 2002 reform before increasing slightly over the last few years.

The distribution is characterised by considerable dispersion. Firstly, the implicit rate for many firms is very low. More specifically, one-quarter of firms have an implicit rate equal to zero every year, which is generally attributed to the deduction of prior tax losses and the deduction for notional interest. Secondly, at the other extreme, the distribution is characterised by a large number of companies whose implicit rate is far in excess of the nominal tax rate. Accordingly, 10 % of firms had a rate higher than 49 % in 2012. In very many cases, the companies involved were ones that had recorded prior-year additions to taxes or expenditure disallowed for tax purposes.

CHART 12 DISTRIBUTION OF FINANCIAL COMPANIES' IMPLICIT TAX RATE (RATE 2)⁽¹⁾ (in %)



Source: NBB.

4. Conclusion

The net operating result of non-financial corporations in 2012 continued on its downward path (-6.3%), to stand at € 30.3 billion. This further fall is a reflection of negative economic conditions, dominated by financial strain and sluggish demand in the euro area. As a general rule, companies were unable to reflect their higher costs in their sales prices. Although the operating result is still below the peak reached before the 2008-2009 recession (€ 35.5 billion), it should be remembered that it had more than doubled between 2001 and 2007.

The review according to firm size shows that operating result trends have also fared a lot better in the case of SMEs. Large firms are generally more sensitive to economic cycles as a result of being significantly more inclined towards industrial activities and international trade. As a reminder, 31.9% of value added of large firms is attributed to the manufacturing industry, compared with 11.6% for SMEs. These smaller businesses are, however, more involved in branches dependent on domestic demand, including construction, the retail trade, the hotel and catering sector, real estate and business services. Accordingly, SMEs have been less exposed to cyclical fluctuations in recent years, as these have been primarily determined by the international environment.

The manufacturing branches were the main contributors to the slowdown in 2011, as a result of the loss of dynamism in trade and higher raw material prices. On the contrary, the further slowdown in 2012 was primarily attributable to domestic demand-driven branches. The retail trade has been particularly affected by weak household consumption since early 2011: this branch's value added and operating result in 2012 suffered their worst performance for over 15 years. The trade in motor vehicles was particularly affected by the propensity of households to postpone their purchases of durable goods and public authority decisions to axe some of the financial support granted for the purchase of environmentally friendly vehicles. The construction sector's activity also reflected sluggish domestic demand, and, more specifically, weak levels of investment in housing and a loss of momentum in corporate investment spending.

Analysis of profitability shows in particular that the lower margins since 2007 are seen to have affected most of the branches under consideration albeit to varying extents. Solely the pharmaceuticals industry and certain technological industries reported an increase for this period. The branches with the highest margins in 2012 were real estate activities, the pharmaceuticals industry and telecommunications. The significant real estate margins have to be qualified by other profitability measurements: expressed in relation to equity and total assets, the branch's profitability is a lot lower than the general average.

The final part of the article analysing recent corporate tax trends is based on the implicit tax rate concept, defined as the ratio between tax revenue and an aggregate representing corporate revenue. Two implicit tax rate measurements were chosen that differ according to the treatment of capital gains, write-downs and capital losses on shares. In the case of the first rate, these transactions are regarded as part of corporate profits. For the second one, they are deducted on the same basis as finally taxed income.

In globalised terms, the first rate stood at 17.5% in 2012, compared with 21.8% for the second one. In median terms, however, the two measurements, have reached the same level (23.7% in 2012), underscoring the fact that the correction for share transactions applies to a minority of firms. Meanwhile, extending the population to cover head office activities means a drop in the globalised rates. The distinctive feature of this branch is a tax rate well below the average, mainly because of a heavy reliance on notional interest.

The two tax rates examined have fallen sharply over the last 15 years: according to the measurement under consideration, the decline came to between 5.7 and 7.4 percentage points. Overall, these trends reflect the changes made to the corporation tax over the period. The downward trend clearly slowed in recent times, however. The rates even made a slight recovery, mainly because of the restrictions applied to the notional interest scheme.

Annex 1

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
Chemicals industry	20
Pharmaceuticals industry	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 in motor vehicles	45
Wholesale trade ⁽²⁾	46
Retail trade ⁽²⁾	47
Transportation and storage	49-53
Accommodation and food service activities	55-56
Information and communication	58-63
Real estate activities	68
Business services ⁽³⁾	69-82
Energy, water supply and waste	35-39
Construction	41-43

(1) Except 64, 65, 70100, 75, 94, 98 and 99.

(2) Excluding automobiles and motorcycles.

(3) Excluding head office activities (70100).

Annex 2

DEFINITION OF THE RATIOS

	Item numbers allocated	
	in the full format	in the abbreviated format
1. Ratio of new tangible fixed assets		
Numerator (N)	8169 + 8229 – 8299	8169 + 8229 – 8299
Denominator (D)	8199P + 8259P – 8329P	8199P + 8259P – 8329P
Ratio = N/D × 100		
Conditions for calculation of the ratio:		
12-month financial year		
8169 + 8229 – 8299 > 0 ⁽¹⁾		
2. Net margin on sales		
Numerator (N)	9901 + 9125	9901 + 9125
Denominator (D)	70 + 74 – 740	70
Ratio = N/D × 100		
Condition for calculation of the ratio:		
Simplified format: 70 > 0		
3. Net return on operating assets		
Numerator (N)	9901	9901
Denominator (D)	20 + 21 + 22/27 + 3 + 40/41 + 490/1	20 + 21 + 22/27 + 3 + 40/41 + 490/1
Ratio = N/D × 100		
Conditions for calculation of the ratio:		
12-month financial year		
20 + 21 + 22/27 + 3 + 40/41 + 490/1 > 0 ⁽¹⁾		
4. Return on equity, excluding exceptional result		
Numerator (N)	9904 – 76 + 66	9904 – 76 + 66
Denominator (D)	10/15	10/15
Ratio = N/D × 100		
Conditions for calculation of the ratio:		
12-month financial year		
10/15 > 0 ⁽¹⁾		
5. Net return on total assets before tax and debt servicing, excluding exceptional result		
Numerator (N)	9904 + 650 + 653 – 9126 + 9134 – 76 + 66	9904 + 65 – 9126 + 67/77 – 76 + 66
Denominator (D)	20/58	20/58
Ratio = N/D × 100		
Condition for calculation of the ratio:		
12-month financial year		
6. Degree of financial independence		
Numerator (N)	10/15	10/15
Denominator (D)	10/49	10/49
Ratio = N/D × 100		

(1) Condition valid for the calculation of the median but not for the globalised ratio.

DEFINITION OF THE RATIOS (continued)

	Item numbers allocated	
	in the full format	in the abbreviated format
7. Degree of self-financing		
Numerator (N)	13 + 14	13 + 14
Denominator (D)	10/49	10/49
Ratio = $N/D \times 100$		
8. Average interest expense on financial debt		
Numerator (N)	650	
Denominator (D)	170/4 + 42 + 43	
Ratio = $N/D \times 100$		
Condition for calculation of the ratio:		
12-month financial year		

Annex 3

NET RETURN ON EQUITY AFTER TAXES⁽¹⁾, BY BRANCH OF ACTIVITY

(globalised, in %)

	2007	2008	2009	2010	2011	2012 e	Δ 2007-2012
Manufacturing industry	11.3	9.4	9.6	9.8	7.5	6.3	-5.0
of which:							
Agri-food industries	19.0	8.8	13.9	8.0	8.3	6.1	-12.9
Textiles, clothing and footwear	5.8	-2.8	1.5	4.5	3.1	4.3	-1.5
Wood, paper and printing	5.7	5.2	1.7	3.6	4.3	4.0	-1.7
Chemicals industry	6.8	4.0	5.9	7.8	5.5	5.4	-1.4
Pharmaceuticals industry	4.3	5.1	6.5	6.3	4.4	5.8	+1.5
Metallurgy and metalworking	15.6	4.8	1.1	5.8	4.5	-1.4	-17.0
Metal manufactures	9.9	6.7	4.4	7.4	9.6	9.3	-0.6
Non-manufacturing branches	8.2	6.7	5.0	5.9	5.9	5.2	-3.0
of which:							
Trade in motor vehicles	12.0	2.6	1.8	6.3	8.8	5.6	-6.4
Wholesale trade ⁽²⁾	8.5	6.8	4.2	7.5	5.7	5.0	-3.6
Retail trade ⁽²⁾	10.8	8.2	8.0	9.3	10.0	9.6	-1.2
Transport and storage	7.6	6.6	2.6	3.1	1.5	2.6	-5.1
Hotels, restaurants and catering	0.2	0.5	-1.7	1.5	1.6	0.4	+0.2
Information and communication	9.3	11.8	10.6	10.0	13.2	9.7	+0.3
Real estate activities	3.5	3.5	1.5	1.5	2.5	2.4	-1.1
Business services	9.2	7.1	5.1	7.2	6.8	5.9	-3.2
Energy, water and waste	6.4	4.8	5.8	5.4	5.5	4.3	-2.1
Construction	11.1	8.9	7.8	7.9	8.2	7.3	-3.8
Total	9.2	7.5	6.4	7.1	6.4	5.5	-3.7

Source: NBB.

(1) Excluding exceptional results.

(2) Excluding trade in motor vehicles.

Annex 4

NET RETURN ON TOTAL ASSETS BEFORE TAXES AND FINANCIAL EXPENSES⁽¹⁾, BY BRANCH OF ACTIVITY

(globalised, in %)

	2007	2008	2009	2010	2011	2012 e	Δ 2007-2012
Manufacturing industry	7.5	6.7	6.4	6.2	5.4	4.9	-2.6
of which:							
Agri-food industries	9.0	5.9	7.9	5.3	5.6	4.4	-4.6
Textiles, clothing and footwear	5.6	2.1	3.2	4.3	4.1	4.8	-0.8
Wood, paper and printing	5.7	5.4	3.4	4.0	4.1	3.9	-1.9
Chemicals industry	5.5	4.5	4.7	5.4	4.7	4.7	-0.8
Pharmaceuticals industry	5.1	5.4	5.6	5.8	4.1	5.0	-0.1
Metallurgy and metalworking	8.9	4.6	2.4	3.8	3.8	1.6	-7.3
Metal manufactures	7.1	5.7	3.9	5.1	6.4	6.3	-0.9
Non-manufacturing branches	5.9	5.6	4.3	4.6	4.7	4.3	-1.6
of which:							
Trade in motor vehicles	6.8	3.9	2.9	4.3	5.4	4.0	-2.8
Wholesale trade ⁽²⁾	6.3	5.9	4.0	5.2	4.5	4.4	-2.0
Retail trade ⁽²⁾	7.4	6.5	6.2	6.4	6.6	6.5	-0.9
Transport and storage	5.1	4.9	2.8	3.1	2.5	2.9	-2.2
Hotels, restaurants and catering	3.8	3.5	2.2	3.2	3.3	2.3	-1.5
Information and communication	7.1	8.0	6.6	6.6	8.0	6.6	-0.5
Real estate activities	4.0	4.5	3.1	2.8	3.3	3.0	-0.9
Business services	6.8	6.3	5.0	5.9	5.7	5.1	-1.7
Energy, water and waste	4.2	3.9	3.8	3.6	4.0	3.3	-1.0
Construction	7.0	6.4	5.7	5.6	5.6	5.3	-1.7
Total	6.4	5.9	4.9	5.0	4.9	4.5	-1.9

Source: NBB.

(1) Excluding exceptional results.

(2) Excluding trade in motor vehicles.

Annex 5

IMPLICIT TAX RATE OF NON-FINANCIAL CORPORATIONS

(in %)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012 e
Rate 1															
Globalised (all firms)	25.0	22.6	23.9	25.8	26.1	19.0	22.7	18.3	18.4	17.3	20.2	16.7	16.6	19.0	17.5
Globalised (all firms) ⁽¹⁾	21.7	19.6	20.2	20.9	21.0	16.2	19.0	15.8	16.2	15.4	16.7	14.1	14.4	16.3	15.8
Median (all firms)	30.4	30.4	31.0	31.9	31.8	26.0	24.6	24.5	22.8	22.5	23.1	22.2	22.5	23.8	23.7
Rate 2															
Globalised (all firms)	29.2	29.5	29.3	30.5	30.4	25.9	24.8	24.3	23.1	22.3	22.7	20.6	20.1	22.1	21.8
Globalised (all firms) ⁽¹⁾	24.8	24.4	23.9	23.9	23.7	20.9	20.5	20.1	19.6	19.1	18.3	16.7	16.8	18.5	19.1
Median (all firms)	30.5	30.5	31.1	32.0	31.8	26.1	24.7	24.6	22.9	22.6	23.2	22.3	22.6	23.9	23.7

Source : NBB.

(1) Including head office activities (NACE-BEL 70100).