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Performance of Commercial Companies in 2008 – Overview by Economic Activity

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Summary

This working paper analyses the business results of Slovenian commercial companies using statistical data from the companies' balance sheets and profit and loss statements. During the world financial and economic crisis, business results deteriorated considerably last year after having improved for several years. The biggest part of the net profit decrease was due to larger financial losses as a result of the financial crisis' impact on the value of shares and other financial investments. In addition, net operating surpluses were also lower, compared to the previous year. Operating revenues and value added rose at a much slower pace than the year before as a result of declining foreign demand and also due to lower domestic construction activity (which boosted domestic consumption in previous years) in the last months of the year. At the same time, labour market developments were still relatively favourable as they were affected by previous good business results (and partly also because of wage increases related to high inflation in 2007), so that labour costs increases exceeded the rise of value added. With this, the trend of lowering labour costs to value added ratio was interrupted in 2008. The largest part of the operating surplus decrease came from the manufacturing sector (NACE C) where the results deteriorated the most in low-tech industries. A smaller operating surplus than a year before was also recorded in transport and storage (NACE H), in ICT industries (NACE J) and in other business services (NACE N), while other business sector activities improved the operating surplus; however, this was mainly at a slower pace as in 2007 (construction – NACE F, trade sector - NACE G, real estate services – NACE L). Despite the deterioration of business results, the indebtedness of commercial companies increased further last year and the financial charges (interest paid on loans) to operating revenues ratio increased for the second year in a row.