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Performance of Commercial Companies in 2009 – Overview by Economic Activity

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Summary

This working paper analyses business results of Slovenian commercial companies using statistical data from the companies' balance sheets, and profit and loss statements. In 2009, in the circumstances of the economic crisis, business results deteriorated considerably for a second year in a row. After being halved in 2008, the net profit decreased by a further two-thirds in 2009. While in 2008 the main reason for business results deterioration was in net financial loss, there was a huge drop of net operating surplus in 2009 when the economic crisis spread to the whole real sector. Moreover, decreases of net operating surplus were recorded in almost all private sector industries (NACE 1st digit level). The overall net financial loss of commercial companies remained almost unchanged compared to previous year, however, it increased considerably in some industries, predominantly in manufacturing – NACE C (mainly due to rise in the production of beverages), and transport and storage – NACE H (mainly in transshipment and forwarding). Due to the economic crisis in Slovenia's main trading partners, commercial companies experienced huge decreases of operating revenues on foreign markets; however, since in 2009 the impact of international crisis on domestic economic activity became more pronounced, the operating revenues realised on the domestic market were also significantly lower. At the same time, commercial companies succeeded in limiting their operating expenditures considerably, which resulted in a decrease of the goods, material and services costs-to-operate revenues ratio, which took place for the first time after being on an upward trend in previous years. Considerable drops in goods, material and services costs could be explained by several factors, including lower prices of raw materials on world markets, large destocking in 2009 and rationalisation of companies' operations during the economic crisis. The situation on the labour market, which was still rather good in 2008, also worsened in 2009. Nevertheless, as labour market has adapted to the extreme deterioration of the economic situation with a lag, a huge drop in productivity (value added per employee) was recorded, and this (as well as a further (albeit modest) increase in labour cost per employee) pushed up unit labour costs and therefore increased the pressure on cost competitiveness of companies. The indebtedness of commercial companies, which rose rather quickly in the period of economic upturn, did not increase further in 2009. The debt-to-total-liabilities ratio decreased slightly, but still remained at the highest level in the last decade (with the exception of 2008).