

## Business' finances weather the impact of the pandemic

The COVID-19 crisis is having a significant impact on the economic and financial situation of non-financial corporations (NFCs). However, thanks to a healthier starting position compared to the previous crisis of 2008-2013, they are managing to evade the shock with relative success, at least at the aggregate level: both financial accounts (FAs) and non-financial accounts (NFAs)<sup>1</sup> show that they continue to generate funding capacity and that their indebtedness levels remain contained.

In 2020, the ratio of disposable income to corporate savings plummeted by 16.9%, dragged down by the historic decline in gross operating surplus (profits). Given that productive investment also fell sharply (-15.1%), the funding capacity was only slightly below that of 2019 (2.4% of GDP, 3 decimal points less). In Q1 2021, the impact of the third wave of the virus, with the consequent tightening of restrictions, interrupted the revival of the economy: NFC revenues continued to fall (-4.8% year-on-year), while investment began to show positive signs (+1.5%). In any case, in cumulative four-quarter terms the figures remain a far cry from pre-pandemic levels and the funding capacity continued to decline down to 2.3% of GDP.

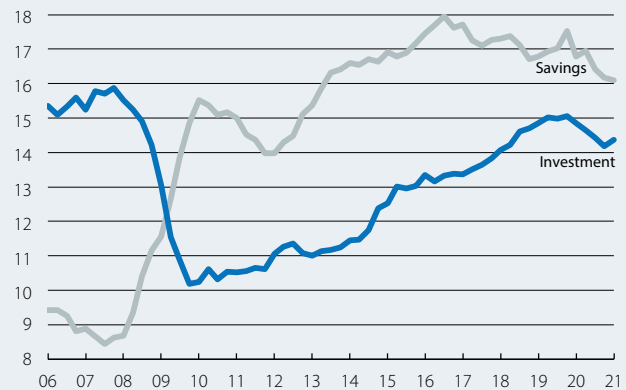
As for consolidated indebtedness (excluding debt between NFCs), it rose by 12.4 points in 2020 to 85% of GDP. This marks the highest ratio in five years, albeit still well below the highs of 2009-2010, when it reached 120%. This upturn represents a shift in the trend from the corporate deleveraging process initiated in 2010 and was mainly due to the decline in GDP (denominator), as well as the rise in debt (numerator), essentially in the form of bank loans. After 11 years of almost continuous reductions, net financing through bank credit once again turned positive, partly driven by the decision taken by some NFCs to accumulate liquidity buffers as a precautionary measure.<sup>2</sup> In Q1 2021, debt continued

1. NFAs (based on data from the National Statistics Institute) quantify the relationships between the institutional sectors of the economy and paint a picture of the various phases of the economic process (production, income generation, distribution and redistribution, consumption, savings and asset accumulation). FAs (based on Bank of Spain data) offer information on the financial transactions, assets and financial liabilities of these sectors, providing an aggregate of the volume of debt materialised in the form of debt securities (bonds, debentures, promissory notes, etc.) and loans.

2. In 2020, the net acquisition of assets reached 60,747 million euros, mainly cash and deposits (41,540 million, the highest in the series, which began in 1995). See Bank of Spain (2021). «Evolución de los flujos y de los balances financieros de los hogares y de las empresas no financieras en 2020». Economic Bulletin 3/2021 (article available in Spanish).

### Spain: savings vs. business investment

Percentage of GDP

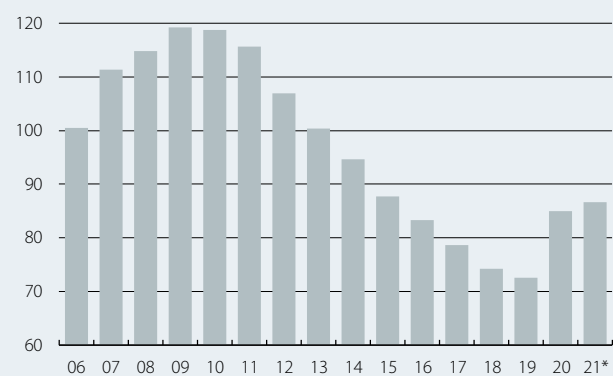


Note: Cumulative data for four quarters.

Source: CaixaBank Research, based on data from the National Statistics Institute.

### Spain: consolidated corporate debt

Percentage of GDP



Notes: Debt materialised in the form of debt securities and loans, subtracting debt to other companies. \* Q1.

Source: CaixaBank Research, based on data from the Bank of Spain.

to grow, albeit at a reduced rate, reaching 86.6% of GDP. This growth was in line with the new fall in GDP and the increase in new financing, mainly loans with non-resident sectors.

Sergio Díaz Valverde