

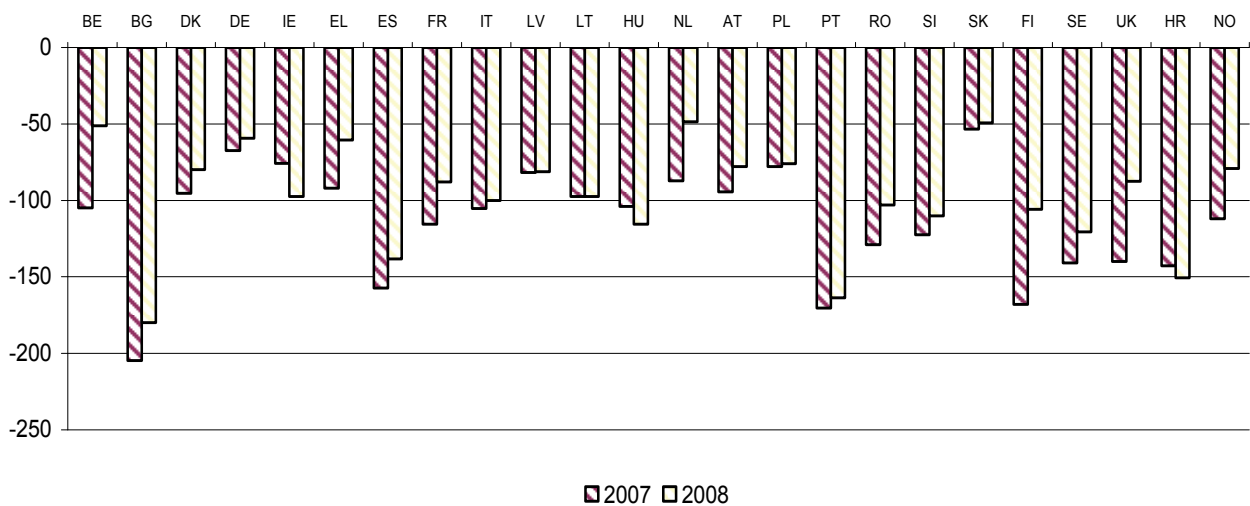
## Non-financial corporations in the opening phase of the financial crisis

**This Statistics in Focus analyses the financial behaviour of non-financial corporations in the European Union up to 2008. Taking into account the important changes in financial markets that occurred in this year, it is important to analyze how these changes affected net financial wealth of non financial corporations (including both assets and liabilities) and if the beginning of the crisis has had an impact on the credit access of companies. As it will be seen, both variables were affected by the crisis.**

### Non-financial corporations' stocks of net financial assets

Net financial assets (that is net financial wealth) is defined as total financial assets minus total liabilities. One striking consequence of the opening phase of the financial crisis was the increase of net financial wealth of non-financial corporations, due to the decrease of financial liabilities of companies. However, as will be seen, this decrease has a clear and straightforward explanation in the fall in the value of shares and other equity. A more expected consequence of the downturn has been the reduction of the access to credit by non financial corporations.

**Figure 1: Net financial assets of non-financial corporations as a percentage of GDP**



Source: Eurostat ([fina\\_st](#)).

As Figure 1 shows, the stocks of net financial assets held by non-financial corporations as a percentage of GDP varied, in 2008, from -179% for

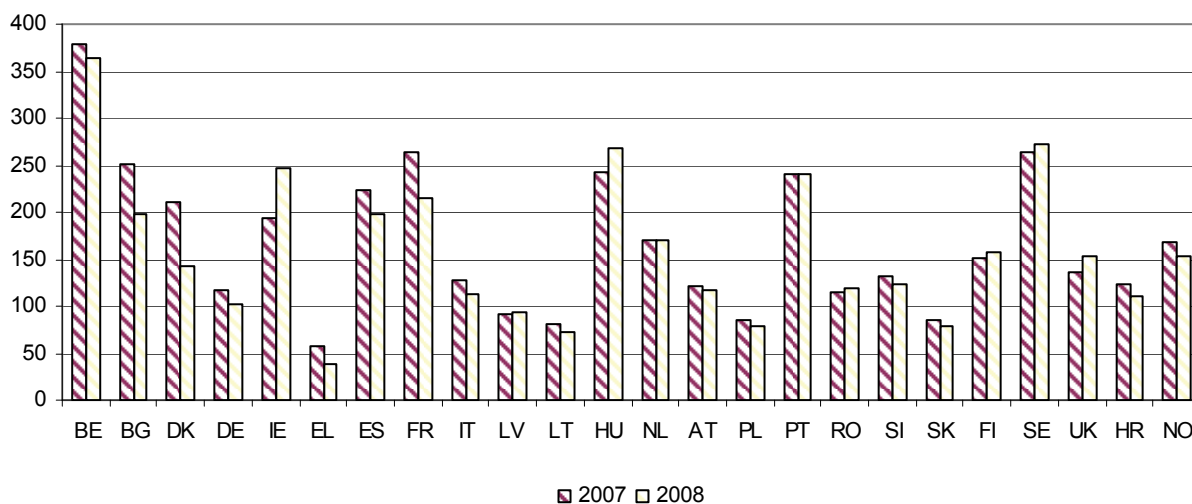
Bulgaria to -48% in the Netherlands. Net financial assets of non-financial companies are negative for all countries and all years, what means that the

stock of liabilities is bigger than the stock of financial assets. In 2008, the stock of net financial assets increased, that is, was less negative than in 2007 for almost all countries, the exceptions being

Ireland and Croatia. In order to explain this, the next two graphs show the stock of financial assets and liabilities in years 2007 and 2008.

## Development of financial assets and liabilities

**Figure 2: Non-financial corporations' stock of financial assets as percentage of GDP**

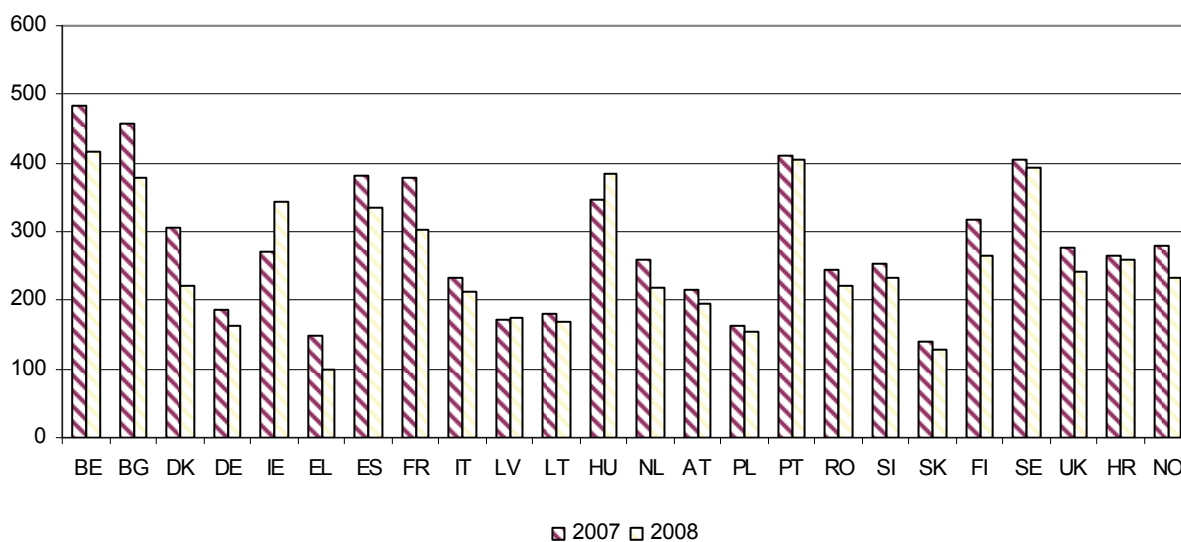


Source: Eurostat ([fina\\_st](#)).

Figure 2 shows non-financial corporations' stock of financial assets as percentage of GDP. As can be seen, there is no a clear pattern among countries in the evolution of this ratio. However, it is quite evident that the increase in net assets (i.e., decrease

in net financial debt) did not consistently arise from the change in assets, since net assets decreased in some countries where net financial assets of non-financial corporations increased.

**Figure 3: Non-Financial Corporations' stock of financial liabilities as percentage of GDP**



Source: Eurostat ([fina\\_st](#)).

As shown in figure 3, the pattern in the evolution of liabilities to GDP ratio in European countries is

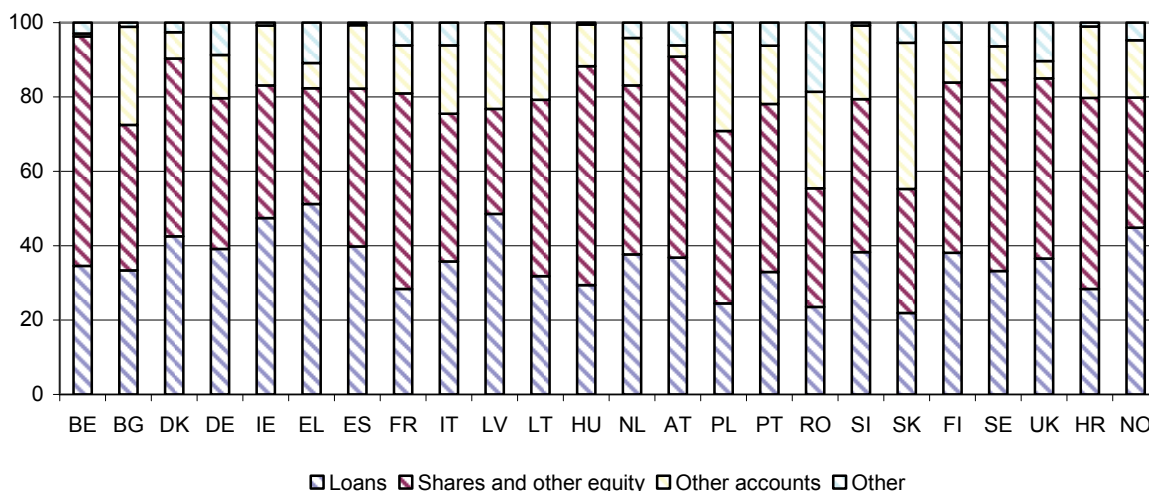
clearer than the one for stock of assets: with the exception of Ireland and Hungary, the analyzed

ratio fell in all countries between 2007 and 2008. The question remains why this happened. The next

figure shows the main financial instruments in liabilities.

## Structure of non-financial corporations' liabilities

**Figure 4: Non-financial corporations' liabilities by instrument as a percentage of total liabilities. 2008**

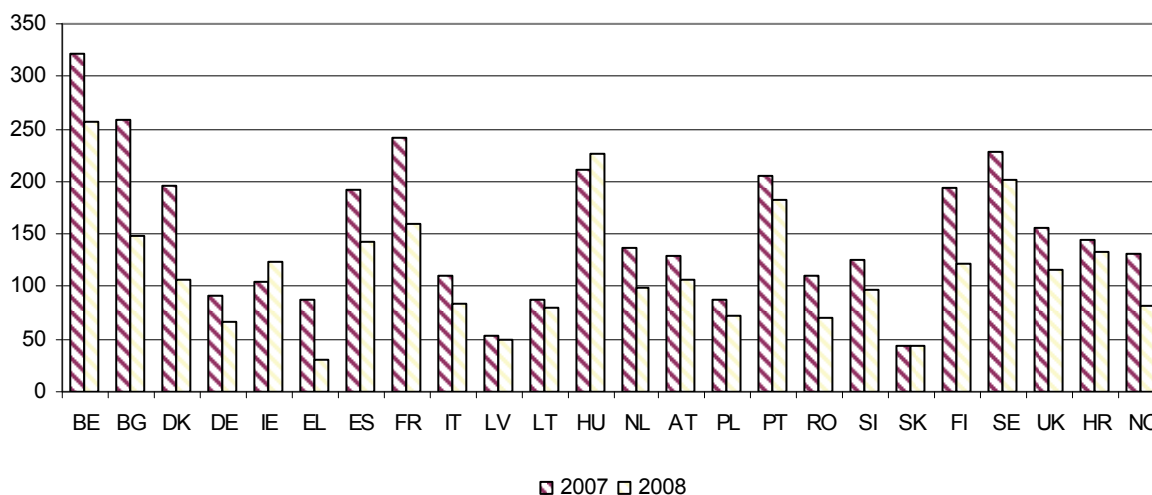


Source: Eurostat ([fina\\_st](#)).

From figure 4, it is clear that loans and, above all, shares and other equity are the main instruments in liabilities, although it has to be said that other accounts payable (mainly trade credits) are also significant. Securities other than shares are not

included for the sake of clarity since their proportion is small for almost all countries. Owing to their importance in company financing, it is interesting to analyze what happened to shares and other equity in 2008.

**Figure 5: Non-financial corporations stock of liabilities in shares and other equity as percentage of GDP**



Source: Eurostat ([fina\\_st](#)).

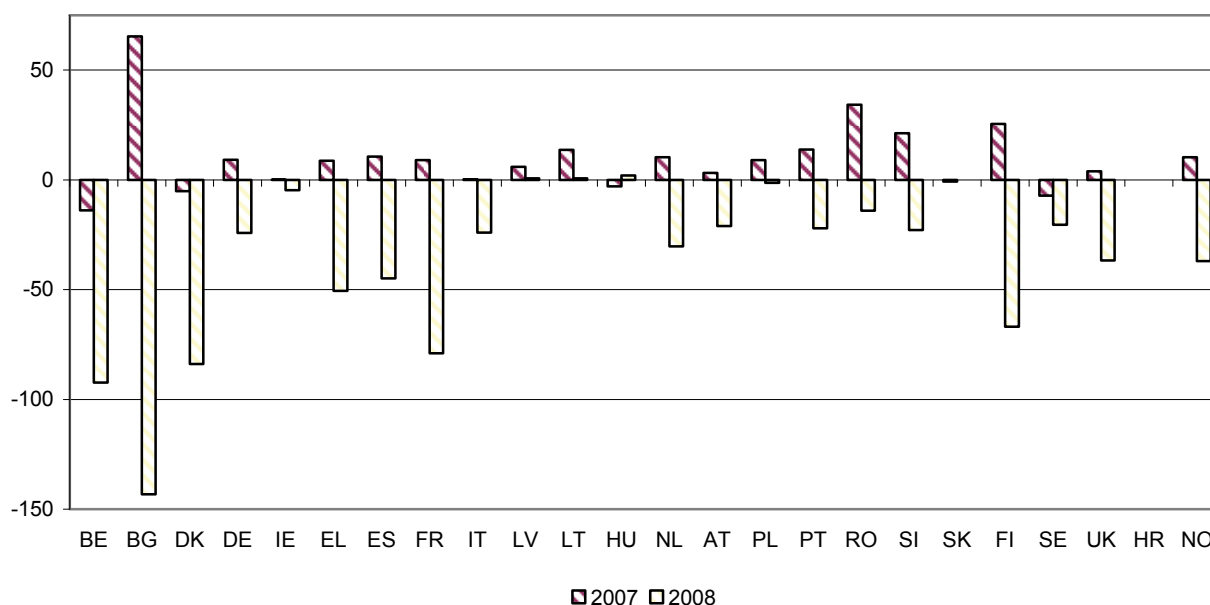
As figure 5 shows, non-financial corporations' stock of liabilities in shares and other equity fell in almost all countries between 2007 and 2008, with again the exception of Ireland and Hungary (it is important to recall that shares and other equity are valued at market value). Moreover, this decrease

was significant in some countries. From this figure we have the explanation of the increase in the stock of net financial assets in most countries: due to the evolution of financial markets in 2008, the value of shares and other equity decreased. Finally, figure 6 shows that, effectively, the big decrease in the

stock of liabilities is explained by other economic flows, which includes other changes in volume and

nominal holding gains and losses (changes in the price of financial assets).

**Figure 6: Other economic flows in shares and other equity, liabilities, for non-financial corporations as a percentage of GDP**



Source: Eurostat ([fina\\_of](#)).

## Various patterns inside financial transactions

It is also interesting to analyze what happened to financial transactions in 2008. Tables 1 and 2 show

the incurrence of liabilities, via loans and shares and other equity, by non-financial corporations.

**Table 1: Non-financial corporations. Transactions in liabilities, loans. Millions of euros.**

	2006	2007	2008		2006	2007	2008
<b>BE</b>	44,110	51,466	6,633	<b>NL</b>	24,931	17,962	13,869
<b>BG</b>	3,396	10,141	10,673	<b>AT</b>	6,687	14,075	11,604
<b>DK</b>	26,699	15,647	20,652	<b>PL</b>	13,829	18,623	24,322
<b>DE</b>	84,541	51,727	70,276	<b>PT</b>	12,042	21,202	22,491
<b>IE</b>	33,303	13,519	67,555	<b>RO</b>	9,563	15,330	17,719
<b>EL</b>	8,438	12,611	13,890	<b>SI</b>	3,033	6,223	5,721
<b>ES</b>	227,368	181,007	94,867	<b>SK</b>	1,483	2,146	3,421
<b>FR</b>	148,387	149,196	161,163	<b>FI</b>	10,681	17,896	34,320
<b>IT</b>	82,533	125,281	104,714	<b>SE</b>	7,096	37,334	30,367
<b>LV</b>	3,581	4,638	2,737	<b>UK</b>	210,984	205,437	155,783
<b>LT</b>	2,497	5,048	1,694	<b>HR</b>	4,786	4,985	7,207
<b>HU</b>	11,761	17,526	25,122	<b>NO</b>	29,382	38,408	43,484

Source: Eurostat ([fina\\_tr](#)).

**Table 2: Non-financial corporations. Transactions in liabilities, shares and other equity. Millions of euros.**

	2006	2007	2008		2006	2007	2008
<b>BE</b>	31,375	92,891	126,622	<b>NL</b>	4,947	10,894	-4,887
<b>BG</b>	8,117	16,047	24,709	<b>AT</b>	8,301	37,762	9,996
<b>DK</b>	1,458	13,682	-2,430	<b>PL</b>	7,701	14,273	-27,017
<b>DE</b>	38,669	33,471	17,155	<b>PT</b>	16,107	9,744	6,638
<b>IE</b>	-11,556	15,495	35,285	<b>RO</b>	3,561	5,977	-7,414
<b>EL</b>	4,735	3,068	364	<b>SI</b>	355	444	917
<b>ES</b>	28,334	55,343	25,565	<b>SK</b>	3,814	1,766	16,621
<b>FR</b>	81,652	109,504	67,462	<b>FI</b>	2,529	1,084	-8
<b>IT</b>	22,512	19,529	6,929	<b>SE</b>	8,942	4,835	2,234
<b>LV</b>	1,034	1,183	142	<b>UK</b>	19,056	93,426	38,959
<b>LT</b>	131	502	613	<b>HR</b>	8,981	15,864	436
<b>HU</b>	10,963	41,557	22,881	<b>NO</b>	17,018	6,551	2,413

Source: Eurostat ([fina.tr](http://fina.tr)).

As it can be seen in both tables, there is no clear pattern among countries in transactions in liabilities. In some cases, a big decrease in the net-incurrence of loan liabilities is observed, such as in Belgium, Spain and the United Kingdom.

However, this was not a common trend. Regarding the net issuance of shares and other equity, there is

again no obvious pattern, although there is an important drop in Spain, France, Austria, Poland and the United Kingdom, among others.

It is also interesting to analyze what happened to other accounts payable, that is, instruments such as trade credits, which represent another way for corporations to access credit.

**Table 3: Non-financial Corporations. Transactions in liabilities, other accounts payable. Millions of euros.**

	2006	2007	2008		2006	2007	2008
<b>BE</b>	1,595	-1,512	-93	<b>NL</b>	9,452	5,235	-2,819
<b>BG</b>	1,898	5,296	12,033	<b>AT</b>	452	1,581	1,038
<b>DK</b>	18,637	-8,156	312	<b>PL</b>	5,952	9,539	15,236
<b>DE</b>	-2,664	13,617	-5,478	<b>PT</b>	2,132	9,338	4,576
<b>IE</b>	18,186	5,892	-7,624	<b>RO</b>	17,763	11,419	2,435
<b>EL</b>	-339	2,448	4,157	<b>SI</b>	1,478	2,456	549
<b>ES</b>	65,531	33,333	-792	<b>SK</b>	2,814	3,210	-4,121
<b>FR</b>	60,708	-7,267	14,767	<b>FI</b>	5,653	3,625	3,170
<b>IT</b>	9,992	28,467	-2,936	<b>SE</b>	2,944	-1,131	-1,327
<b>LV</b>	1,615	1,978	622	<b>UK</b>	8,028	4,382	-5,172
<b>LT</b>	774	2,250	708	<b>HR</b>	2,347	2,267	183
<b>HU</b>	3,832	2,822	1,425	<b>NO</b>	12,432	20,840	-15,679

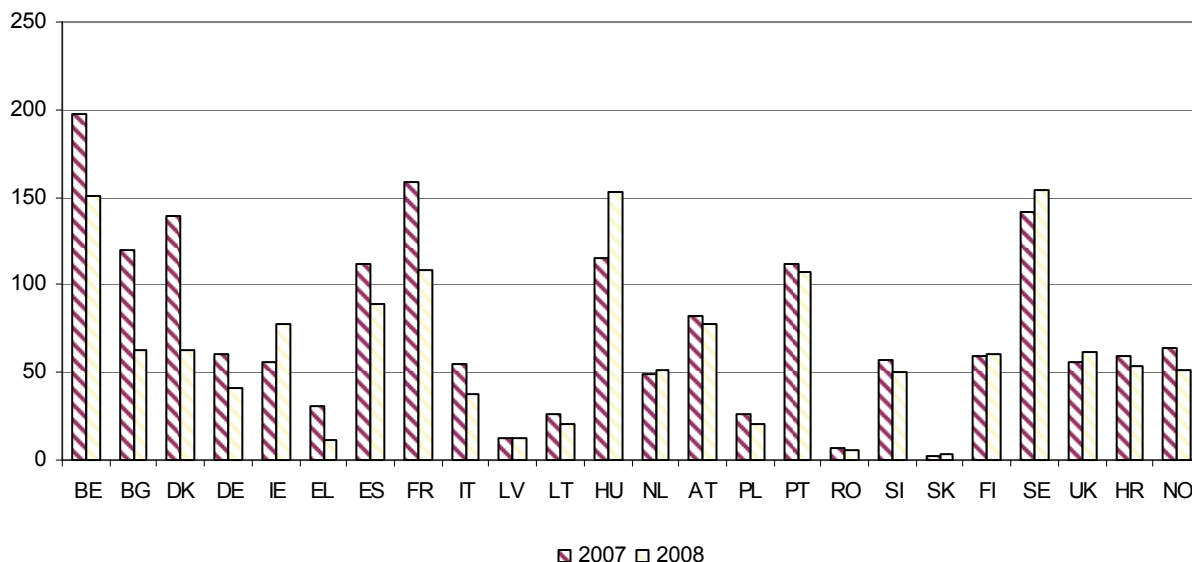
Source: Eurostat ([fina.tr](http://fina.tr)).

As seen in table 3, although with exceptions, there was a general decrease of this item in 2008. In other words, credit constraints observed in some countries came not only from a decrease of loan

transactions, but also from a fall in instruments such as trade credits. Regarding the assets side, the largest changes were observed for shares and other equity.

## Impact on stock of shares and other equity

**Figure 7: Stock of assets in shares and other equity for non-financial corporations as percentage of GDP**

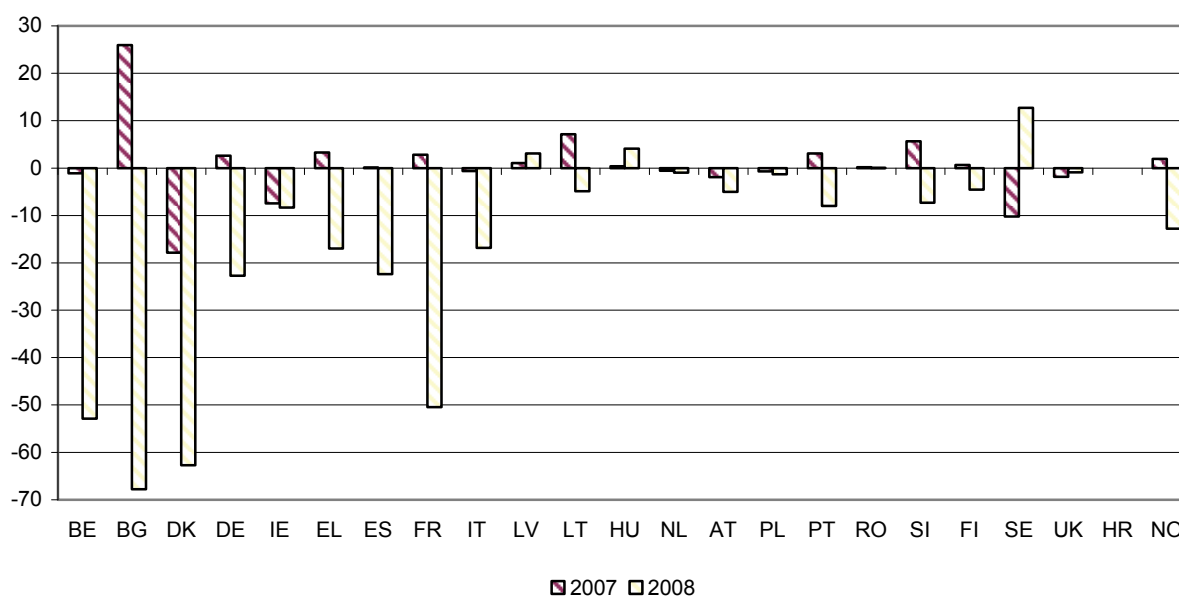


Source: Eurostat ([fina\\_st](#)).

For almost all countries, with the exception of Ireland, Latvia, Hungary, Sweden and the United Kingdom, the stock of shares and other equity held as assets by non-financial corporations decreased

between 2007 and 2008. Most of this decrease is explained by the changes in valuation of shares, as shown in figure 8.

**Figure 8: Other economic flows in shares and other equity, assets, for non-financial corporations as percentage of GDP**



Source: Eurostat ([fina\\_of](#)).

## METHODOLOGICAL NOTES

This box gives some background explanations. More exhaustive information and data can be found on [Eurostat's homepage](#) in the section dedicated to [Government finance statistics](#).

**European System of Accounts (ESA 95):** The European System of Accounts constitutes a coherent, consistent and integrated system of national accounts designed to show economic processes and which distinguishes between the headings production, distribution/use of income and capital formation. The accounts also include balance sheets to describe the stocks of assets and liabilities at the beginning and at the end of the accounting period. The financial accounts form part of the national accounts system. They deal with financial flows and stock positions between institutional sectors.

**Non-financial corporations (S.11):** The sector non-financial corporations consists of institutional units whose distributive and financial transactions are distinct from those of their owners and which are market producers, whose principal activity is the production of goods and non-financial services. The sector non-financial corporations also includes non-financial quasi-corporations.

A **balance sheet** is a statement, drawn up at a particular point in time, of the values of assets owned and of liabilities outstanding. The balancing item is called net worth (BF.90). Balance Sheets items are classified as AF.1 to AF.7. The stock of the assets and liabilities recorded in the balance sheet is valued at the market prices prevailing on the date to which the balance sheet relates, except loans, which are recorded at the value contractually agreed by creditors and debtors.

**Currency and Deposits (AF.2)** consists of all stocks in notes and coins in circulation, transferable deposits and other deposits.

**Securities Other than Shares (AF.3)** are financial assets and liabilities which are bearer instruments and usually negotiable and traded on secondary markets or can be offset in the market, and do not grant the holder any ownership rights in the institutional unit issuing them.

**Loans (AF.4)** are financial assets and liabilities created when creditors lend funds to debtors either directly or through brokers which are evidenced by non-negotiable instruments or not evidenced by documents.

**Shares and Other Equity (AF.5)** are financial assets and liabilities which represent property rights on corporations. They generally entitle the holders to a share in the profits of the corporations and to a share in their net assets in the event of liquidation.

**Insurance Technical Reserves (AF.6)** consists of assets and liabilities in the technical provisions of insurance corporation and pension funds against policy holders or beneficiaries.

**Other Accounts Receivable/Payable (AF.7)** consists of financial claims created as the counterpart of a transaction in cases where there is a timing difference between such transaction and the corresponding payment.

**The financial balance sheet** (of a sector or the rest of the world) shows on its left side financial assets and on its right side liabilities. The balancing item of the financial balance sheet is net financial assets (BF.90).

**Consolidation:** Consolidation refers to the elimination, from both uses and resources, of transactions which occur between units when the latter are grouped, and to the elimination of reciprocal financial assets and liabilities. All data in this Sif are non-consolidated.

### Country Codes

BE (Belgium), BG (Bulgaria), DE (Germany), DK (Denmark), EL (Greece), ES (Spain), FR (France), IE (Ireland), IT (Italy), LV (Latvia), LT (Lithuania), HU (Hungary), NL (the Netherlands), AT (Austria), PL (Poland), PT (Portugal), RO (Romania), SI (Slovenia), SK (Slovakia), SE (Sweden), FI (Finland), UK (the United Kingdom), HR (Croatia), NO (Norway).

## Further information

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Eurostat Website: <http://ec.europa.eu/eurostat>

Data on "Economy and Finance, Financial Accounts"

[http://epp.eurostat.ec.europa.eu/portal/page/portal/financial\\_accounts/data/database](http://epp.eurostat.ec.europa.eu/portal/page/portal/financial_accounts/data/database)

More information about "Financial accounts"

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