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Performance of Commercial Companies in 2007 – Overview by Economic Activity

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Summary

This working paper analyses statistical data from commercial companies' balance sheets and profit and loss statements, focusing on individual activities of the Slovenian economy. We are interested in the main characteristics of companies' financial performance, with an emphasis on the factors that influence the value added growth and competitiveness of individual activities. In addition, we monitor the most important structural changes in the economy. The period analysed is mainly 2006, while long-term comparisons cover the period reaching back as far as 2002.

In 2007, when the overall economic situation (at home and abroad) was relatively good, the number of commercial companies and employees increased substantially, and business results improved again. In the structure of companies' liabilities we saw a further increase in debt. A number of companies recorded the highest rise in the period analysed (2002–2007) and the employment growth rate accelerated as well. In the structure of employment and value added, further structural changes towards a higher share of services (mainly business services – K, transport – I and hotels and restaurants sector – H) and construction were observed. The overall net profit (profits less losses) grew by approximately one third after an already significant increase a year before. Business results improved the most in business services (K), and an above-average rise in net profits was also recorded in agricultural activities (A-B) and in electricity, gas, steam and water supply (E). The growth rate of export revenues increased further in line with high foreign demand; however, the export orientation of commercial companies did not increase as revenues from the domestic market, that were additionally spurred by substantial construction activity, grew at the same rate as foreign revenues. The analysis of individual costs to turnover and value added ratios shows, on one hand, the continuation of a number of positive trends: the labour cost to value added ratio declined further and the purchase value of the goods to turnover ratio decreased for the first time in the period analysed (wholesale and retail trade, hotels and restaurants sector). On the other hand, the services costs growth rate accelerated (construction, mining, hotels and restaurants, individual manufacturing activities) and the financial charges (interest paid on loans) to turnover ratio increased after being on a downward trend in previous years. The main reasons for faster growth of financial charges relative to turnover lie in the increasing share of debt in companies total liabilities – last year a rise was recorded for the third year in a row – as well as in the deterioration of financing conditions (higher interest rates) related to the negative impacts of the international financial crisis.