

31. Non-financial corporations' debt to gross operating surplus

- In 2011, the non-financial corporations sector of Luxembourg recorded the highest debt-to-gross operating surplus ratio where the level of debt outstanding reached 18.4 times gross operating surplus. Other countries with high ratios were Portugal (8.6), Ireland (7.8) and Sweden (7.6).
- Between 2006 and 2011, this ratio increased for the majority of OECD countries, with the largest increase of 10.3 points in Luxembourg, indicating an increase in the risk exposure for the creditors of the non-financial corporations. Only Israeli non-financial corporations reduced their indebtedness by 0.3 points.

While debt can have positive implications for a firm's growth as it can help smooth capital investment and production even if sales would otherwise not allow it, it becomes harmful if it is too high. One particularly informative indicator for the assessment of debt sustainability – as the debt repayments will have to be serviced from income generated – is the ratio of debt to operating surplus.

It captures developments in the leverage – that is the amount of debt a firm acquires to finance operations – of the non-financial corporations sector and shows a negative correlation with investment, which is consistent with the idea that a worsening in balance sheet conditions may act as a constraint on investment expenditure.

The higher (lower) the ratio, the greater (smaller) is the risk for non-financial corporations. The ratio is the number of times debt is to gross operating surplus. Therefore, if a non-financial corporation's ratio is 2.5 it means that the debt outstanding is 2.5 times larger than the annual flow of gross operating surplus.

Definition

Debt is a commonly used concept, defined as a specific subset of liabilities. All debt instruments are liabilities, but some liabilities such as shares, equity and financial derivatives are usually not considered as debt. Debt is thus obtained by adding predominantly the following liability categories: securities other than shares except financial derivatives, loans, and other accounts payable. Consolidated data are used for this indicator.

Gross operating surplus measures the surplus or deficit accruing from production before taking account of any interest, rent or similar charges payable on financial or tangible non-produced assets borrowed or rented by enterprise, or any interest, rent or similar receipts receivable on financial or tangible non-produced assets owned by the enterprise; it differs from profits in company accounts.

The non-financial corporation sector (S11) includes all private and public enterprises that produce goods and/or provide non-financial services to the markets.

Comparability

Consolidated data are preferred because non-consolidated data depend on the statistical unit applied in the estimation of the non-financial corporations' sector. This statistical unit can differ substantially across countries, ranging from the legal unit to enterprise group. Consequently, countries which have compiled their statistics using smaller statistical units, such as legal units, will have substantially higher levels of non-consolidated debt (including debt relations within enterprise groups). However, non-consolidated debt data provide important information about the total indebtedness of the non-financial corporation sector: by including intra-sector debt, it acknowledges that, apart from bank loans, an increasingly important source of financing, especially during the crisis, may be between companies.

Data are consolidated for all OECD countries, except for Japan and Switzerland. According to SNA standards, a consolidated set of balance sheets for a sector is, first, an aggregation of all stocks followed by the elimination of all stocks that represent relationships among units belonging to the same sector.

Sources

OECD (2013), *National Accounts of OECD Countries, Financial Balance Sheets*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/22214461> (except for Australia and Israel).

OECD (2013), *National Accounts of OECD Countries*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/2221433x>.

Online database

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Further reading

Lequiller, F. and D. Blades (2007), *Understanding National Accounts*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264027657-en>.

Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

31. Non-financial corporations' debt to gross operating surplus

Table 31.1. **Non-financial corporations debt**
Ratio of debt to gross operating surplus, number of times

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|--------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Australia | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. |
| Austria | 3.8 | 4.0 | 4.0 | 3.9 | 4.0 | 3.8 | 3.7 | 3.6 | 3.8 | 4.1 | 4.7 | 4.8 | 4.7 | 4.9 |
| Belgium | 4.2 | 4.4 | 4.6 | 4.3 | 4.4 | 4.0 | 3.7 | 3.5 | 3.5 | 4.3 | 4.5 | 4.1 | 4.5 | 4.9 |
| Canada | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. |
| Chile | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. |
| Czech Republic | 3.1 | 3.0 | 2.5 | 2.5 | 2.3 | 2.2 | 2.0 | 1.9 | 1.9 | 2.1 | 2.2 | 2.4 | 2.5 | 2.5 |
| Denmark | .. | .. | .. | .. | 4.8 | 4.8 | 5.2 | 5.9 | 6.0 | 6.6 | 7.5 | 6.3 | 6.0 | .. |
| Estonia | 2.5 | 2.5 | 2.5 | 2.5 | 2.4 | 2.6 | 2.6 | 3.0 | 3.4 | 4.1 | 4.9 | 4.0 | 3.1 | 3.5 |
| Finland | 2.7 | 2.9 | 2.8 | 3.1 | 3.3 | 3.2 | 3.5 | 3.4 | 3.3 | 4.0 | 5.2 | 5.0 | 4.8 | 5.3 |
| France | 5.0 | 5.3 | 5.6 | 5.6 | 5.3 | 5.2 | 5.5 | 5.6 | 5.5 | 5.9 | 6.9 | 6.9 | 7.2 | 7.5 |
| Germany | 3.7 | 3.9 | 3.8 | 3.7 | 3.7 | 3.5 | 3.3 | 3.2 | 3.1 | 3.3 | 3.7 | 3.3 | 3.1 | 3.3 |
| Greece | .. | .. | .. | .. | .. | .. | 2.9 | 3.1 | 3.3 | 3.6 | 3.7 | 3.6 | 3.5 | 3.5 |
| Hungary | 3.2 | 4.3 | 3.8 | 3.3 | 3.8 | 3.5 | 4.0 | 3.9 | 4.5 | 5.4 | 6.2 | 5.0 | 5.6 | 5.2 |
| Iceland | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. |
| Ireland | .. | .. | .. | 3.7 | 3.6 | 3.8 | 4.6 | 5.4 | 5.2 | 7.6 | 8.1 | 7.4 | 7.8 | 8.3 |
| Israel | .. | .. | 4.5 | 4.9 | 4.6 | 4.5 | 4.5 | 4.3 | 4.4 | 4.3 | 4.1 | 4.4 | 4.0 | .. |
| Italy | 2.8 | 3.0 | 3.0 | 3.1 | 3.3 | 3.4 | 3.7 | 4.0 | 4.3 | 4.5 | 5.0 | 5.0 | 5.0 | 5.2 |
| Japan | .. | .. | 8.5 | 8.3 | 7.7 | 7.0 | 6.8 | 7.0 | 6.6 | 6.6 | 7.3 | 6.6 | 7.3 | .. |
| Korea | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. |
| Luxembourg | .. | .. | .. | .. | .. | .. | .. | 8.0 | 8.0 | 20.9 | 25.5 | 20.2 | 18.4 | 17.6 |
| Mexico | .. | .. | .. | .. | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.4 | .. | .. | .. |
| Netherlands | 5.9 | 6.1 | 6.1 | 5.8 | 5.9 | 5.7 | 5.5 | 4.8 | 5.0 | 5.0 | 5.6 | 5.2 | 5.0 | 4.9 |
| New Zealand | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. |
| Norway | 3.6 | 2.6 | 2.7 | 2.9 | 2.9 | 2.5 | 2.3 | 2.2 | 2.8 | 2.8 | 3.5 | 3.4 | 3.1 | 3.1 |
| Poland | 3.4 | 3.5 | 4.1 | 4.0 | 2.9 | 2.1 | 2.1 | 2.2 | 2.4 | 2.8 | 2.3 | 2.4 | 2.6 | 2.4 |
| Portugal | 5.9 | 6.3 | 6.6 | 6.6 | 7.3 | 6.7 | 7.1 | 7.2 | 7.4 | 8.4 | 8.6 | 8.6 | 8.6 | 8.4 |
| Slovak Republic | 4.4 | 3.8 | 3.7 | 4.1 | 3.8 | 3.2 | 3.2 | 3.0 | 3.1 | 2.9 | 3.5 | 3.2 | 3.3 | 3.1 |
| Slovenia | .. | .. | 4.4 | 4.3 | 4.2 | 4.4 | 5.1 | 5.1 | 5.3 | 5.8 | 6.9 | 7.3 | 6.8 | 6.6 |
| Spain | .. | 4.1 | 4.4 | 4.6 | 4.9 | 5.1 | 5.9 | 7.0 | 7.8 | 7.8 | 7.8 | 7.4 | 7.0 | 6.2 |
| Sweden | 5.7 | 6.1 | 7.1 | 7.1 | 6.6 | 6.2 | 6.4 | 6.0 | 6.9 | 8.3 | 9.6 | 7.5 | 7.6 | 8.1 |
| Switzerland | 4.7 | 4.6 | 4.4 | 4.4 | 4.7 | 4.0 | 3.9 | 3.8 | 4.1 | 4.0 | 5.1 | 4.5 | 5.0 | .. |
| Turkey | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. |
| United Kingdom | 3.9 | 4.3 | 4.7 | 4.7 | 4.4 | 4.2 | 4.8 | 4.9 | 4.9 | 5.3 | 6.0 | 5.5 | 5.3 | 5.3 |
| United States | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. |
| Euro area | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. |
| OECD-Total | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. |
| China | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. |
| India | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. |
| Indonesia | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. |
| Russian Federation | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. |
| South Africa | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. |


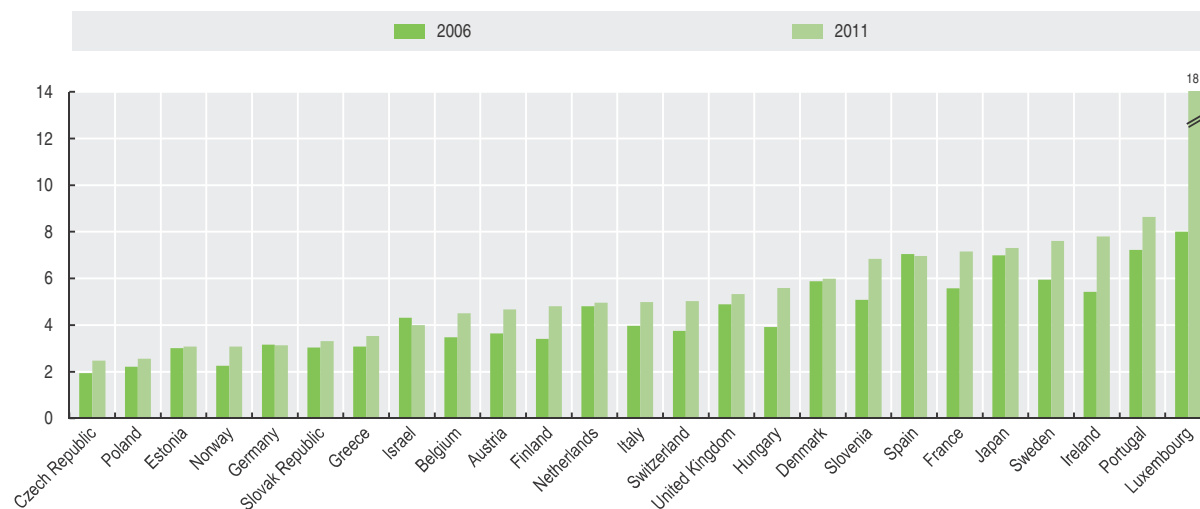

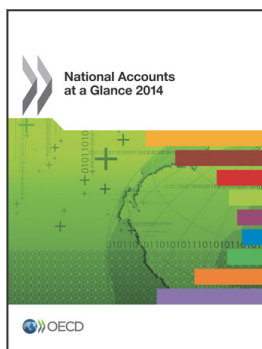
StatLink  <http://dx.doi.org/10.1787/888933002680>

Figure 31.1. **Non-financial corporations debt**
Ratio of debt to gross operating surplus, number of times, 2006 and 2011



StatLink  <http://dx.doi.org/10.1787/888933001730>



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