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PRESS RELEASE

CERVED MONITOR OF BANKRUPTCIES AND BUSINESS CLOSURES: IN 1Q2016 CLOSURES DOWN SHARPLY IN THE CONSTRUCTION SECTOR AND IN SOUTHERN ITALY

- **GOOD TREND CONTINUES IN BANKRUPTCIES, DOWN BY 4.5%**
- **NON-BANKRUPTCY INSOLVENCY PROCEEDINGS CONTINUED TO FALL STRONGLY OVER THE QUARTER, A RESULT MAINLY DRIVEN BY VOLUNTARY ARRANGEMENTS WITH CREDITORS**
- **VOLUNTARY LIQUIDATIONS WENT BACK UP FOR THE SHARP INCREASE IN CLOSURES OF 'DORMANT' COMPANIES**

Milan, May 24th 2016 – In the first three months of 2016, the number of bankruptcies and of other insolvency proceedings in Italy kept on falling an intense pace. By contrast, voluntary liquidations of businesses went back up, but only because of a sharp increase in closures of 'dormant' companies, those that were not actually operating on the market. Numbers decreased in all types of insolvency proceedings in the construction sector and in southern Italy – both areas that suffered severely during the crisis years.

This is, in a nutshell, the picture that emerges from statistics gathered for the first three months of 2016, according to the **Monitor of Bankruptcies, Insolvency Proceedings and Business Closures for the 1Q2016**¹ released today by Cerved - the largest information provider in Italy.

"2016 has begun under auspices of continuity with the upbeat results seen in 2015", comments Marco Nespolo, Chief Executive Officer of Cerved, "suggesting a soft landing after the spike in defaults witnessed over the previous few years. The number of bankruptcies is falling and other insolvency proceedings are falling even faster, favoured by a decreasing use of voluntary arrangements with creditors. The increase in voluntary liquidations is nothing to worry about, because it can be explained by closures of dormant companies, whereas in areas that were hit very hard during the crisis there are encouraging figures -- for instance southern Italy, where bankruptcies are down by about 10%, and the construction sector, which registered a 12% decrease."

DOWNWARD TREND CONTINUED IN BANKRUPTCY NUMBERS

A downward trend continued in bankruptcy numbers in the first three months of 2016: about 3,600 Italian businesses began bankruptcy proceedings, 4.5% fewer than in the first quarter of 2015. This is the fifth quarter in the last six in which bankruptcies went down, taking the total back to 2013 levels. Breaking down the figures by legal company status, the number of bankruptcies went down significantly among corporations (by 5.4%) and other forms (by 6.3%), but not among partnerships (+3.7% year-on-year).

By economic sector, construction led the way: in the first three months this year, 756 building companies went bankrupt, more than 100 fewer than last year (-12.4%). The decrease was more moderate in the service sector, where there were the most bankruptcies (about 1,900) in the first quarter, 1.9% fewer than a year ago. The industrial sector, which had already experienced a considerable improvement last year, has

¹ Cerved Monitor on business closure takes into account trends of the three main types of procedures: defaults, non-bankruptcy insolvency proceedings and voluntary business closures.

witnessed a smaller reduction in bankruptcies so far in 2016: between January and March, 560 manufacturing companies went bankrupt, 1.2% fewer than in the first quarter last year.

From a geographical point of view, the South of Italy led the way with a 9.7% year-on-year decrease in bankruptcies to 915 in the first quarter; this is the first time in two years that the quarterly figure has been under a thousand in the South. The number of bankruptcies also went down in the North-West (by 5.1%) and, to a lesser extent, in the North-East (-2%). In central Italy, on the other hand, the number of bankruptcies remained at the same level as in 2015.

NON-BANKRUPTCY INSOLVENCY PROCEDURES ALMOST HALVED SINCE 2013 PEAK

For the eighth consecutive quarter, the number of insolvency proceedings other than bankruptcies went down. From January to March 2016, such proceedings began for about 500 Italian companies, roughly one-fifth fewer than in the first quarter of 2015 and 46% fewer than the 2013 peak level of 919. The most substantial decrease was once again in voluntary arrangements with creditors: about 300 of these were opened in the first quarter of 2016, 29.5% fewer than a year ago and only about half the level seen in 2014.

One reason for this decline could be government reforms implemented in August 2015², particularly the introduction of thresholds for unsecured creditors in liquidation agreements; this reform may have reduced the opportunities for using this tool. Another factor was the sharp decline in requests for 'blank' voluntary arrangements with creditors³. The figures show that in the first quarter of 2016, 445 such 'blank' voluntary arrangement requests were filed, nearly 40% less than in 2015 and 70% less than the over 1,500 requests submitted in the first three months of 2013.

Non-bankruptcy insolvency proceedings decreased in all sectors of the economy and all parts of the country. Decreases came close to 30% in the construction and industrial sectors, while the rate of decline was a more moderate 17.2% in services.

Geographically, leading the way down was again southern Italy, where there was a decrease of one-third year-on-year, but the reduction in non-bankruptcy insolvency proceedings was also strong in the North-West (31.5%); somewhat milder decreases were observed in central Italy (-14.2%) and in the North-East (-8.8%).

VOLUNTARY LIQUIDATIONS OF BUSINESSES: SHARP INCREASE IN CLOSURES OF 'DORMANT' COMPANIES

In the first three months of 2016, the number of companies that voluntarily closed their businesses went back up; this breaks a downward trend that has been in place since late 2013. It is estimated⁴ that in the first quarter of 2016, about 16,500 business owners closed their businesses of their own accord; this is 3.5% more than in the first quarter of 2015. Yet this increase is not necessarily a sign of diminishing business confidence: a more detailed look at the data reveals that there was a sharp 46% increase in liquidations of 'dormant' companies, that is, companies that are on the registers but not actually conducting business. Voluntary liquidations among 'active' corporations continued to drop (-2.8%).

This decrease in voluntary liquidations among active companies was concentrated most in the construction sector, where in the first three months of 2016 there was an 11.1% year-on-year decrease, reaching the lowest number seen since 2009. Much more modest reductions were witnessed in manufacturing (-1.1%) and in the tertiary sector (-0.7%), the latter remaining the sector with the most voluntary liquidations.

From a geographical point of view, the reduction in voluntary liquidations was common to all areas of Italy except for the North-West, where the number of entrepreneurs who decided to wind up business of their own accord rose by 6.6% year-on-year. By contrast, a double-digit decrease was seen in the North-East (-10.8%) and there were significant but more moderate decreases in the Centre (-7.5%) and in the South (-4.3%)

² Law 132/2015.

³ This is a procedure through which an insolvent company can block executive debt recovery actions by creditors in order to give it time to draw up a business-restructuring plan, which is required for a full-fledged voluntary arrangement.

⁴ Due to delays in Chamber of Commerce database updates, liquidation figures are estimated for the most recent quarter and then corrected and updated to show the actual number in the subsequent Monitor report.

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Contacts: Community – Strategic Communication Advisers

Ph. +39 02 89404231

cerved@communitygroup.it

Marco Rubino Ph. +39 335 6509552

Camilla Mastellari Ph. +39 342 0866293

Marco Pedrazzini Ph. +39 347 0369222

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