

Bit Market Services

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PRESS RELEASE

CERVED MONITOR OF BANKRUPTCIES AND BUSINESS CLOSURES: IN 2Q2016 THE DOWNWARD BANKRUPTCY TREND CONTINUES BUT LOSES STEAM

- **NON-BANKRUPTCY INSOLVENCY PROCEEDINGS KEEPS ON STRONGLY DECREASING**
- **THE NUMBER OF BUSINESS OWNERS WHO VOLUNTARY DECIDED TO CLOSE THEIR COMPANIES COMES BACK TO INCREASE**

Milan, September 26th 2016 – Figures of Cerved Monitor of Bankruptcies, Insolvency Proceedings and Business Closures for the second quarter of 2016 paint a picture with bright and dark colours. According to the picture shot by the largest information provider in Italy, from April to June of this year, the downward trend of bankruptcies has been confirmed; even though it is a more modest improvement than those seen in the last two quarters (3,800 businesses bankrupt, a 2% year-on-year decrease).

The number of non-bankruptcy insolvency proceedings is decreasing too, accounting a strong decrease in the quarter (425 proceedings, 43.6% fewer than a year ago and less than half as many as there were at the 2013 peak) thanks to the reduction of voluntary arrangements with creditors; on the other side, there was an increase in the voluntary closures (15,000, +12% from the second quarter of 2015).

“In the first quarter, figures of business closures paint a picture with both bright and dark colours” - comments Marco Nespolo, Chief Executive Officer of Cerved – “Even if it is less markedly, the reduction of bankrupt proceedings registered by the courts still goes on, so confirming the trend that began in the past months and providing a positive indication. However, the increase of the number of voluntary closures, which has been recorded on the quarter after two years of decrease, indicates less optimistic expectations among entrepreneurs”. Nevertheless, the expectations for the next months are not negative; Nespolo continues: “Despite the expected weakening of the recovery, we expect further decline in bankrupt proceedings: the system of Italian SMEs, hardened by the crisis, is reduced but more solid”.

FROM APRIL TO JUNE BANKRUPTCIES DECREASE IN CONSTRUCTIONS AND SERVICES; THE PROCEEDINGS INCREASE IN THE INDUSTRIAL SECTOR

In the second quarter, about 3,800 businesses began a bankruptcy proceeding, down 2% with respect to the same period in 2015. The number of bankruptcies, then, continues its downward trend even if at a more modest rate than the one recorded in the past quarters (it was -3.7% in the first quarter and -11.6% in the fourth quarter of 2015.)

In the first six months of the year, about 7,400 Italian businesses went bankrupt, back to the 2013 level and a reduction of 2.8% y/y, that confirms the downward trend. However, this reduction held true only for corporations (-4.1% year-on-year), whereas the number of bankruptcies went up among both partnerships and other legal forms of business (+1.8% and +0.6%, respectively).

Bankruptcies did not decline evenly across all the industries. The proceedings continued to fall in constructions – which had been hardest hit by the economic crisis – down to about 1,600 companies that opened a procedure, more than 6% fewer with respect to the past year and recording in this way the most substantial decrease among the different industries. **The proceedings continue to go down, even in the first half of 2016, in the service sector** (about 4,000 companies, -3.6% on 2015), which remained the sector with the highest number of bankruptcies. After the strong decrease recorded in the first half of 2015, **bankruptcies among manufacturing companies went back up (+3.1%); this upturn was mainly driven by the relevant increase in metalworking (+20.6%).**

Geographically, the biggest decrease was recorded among businesses in the North-West (-3.8%) and in the South (-3.7%), where the number of bankruptcies returned to 2013 levels; the proceedings also came down in Central Italy (-2.6%) but in the North-East remained close to the 2015 figure (-0.3%).

DOUBLE-DIGIT DECREASE FOR NON-BANKRUPTCY PROCEEDINGS IN ALL THE INDUSTRIES AND ACROSS ALL THE COUNTRY

In the second quarter of 2016, the number of insolvency proceedings other than bankruptcies continued to strongly decrease: **between April and June, 425 such proceedings began, 43.6% fewer than a year ago** and less than half as many as there were at the 2013 peak.

In the semester (from January to June 2016), the downward trend started from 2014 has been confirmed. In detail, the Monitor highlights an important decrease in both applications for voluntary arrangements with creditors (-39%) and other types of insolvency proceedings (-22%).

The reduction in the voluntary arrangements is linked to the collapse of the 'blank' voluntary arrangement applications, whose applications has fallen by half from 2015 to 2016, following a series of legislative changes aimed at limiting opportunistic behaviour by firms.

Non-bankruptcy insolvency proceedings are falling at double-digit rates in all geographical areas of the country and in all sectors of the economy.

THE NUMBER OF VOLUNTARY CLOSURES OF SOLVENT BUSINESSES WENT BACK UP

In the second quarter of 2016 - following a protracted descent started more than two years ago - the number of business owners who decided to close solvent companies went back up. According to the estimates¹, from April to June 2016, about 15,000 entrepreneurs decided to liquidate their businesses of their own accord; it is a 12% increase from the second quarter of last year. One reason for this trend inversion could be less optimistic expectations among entrepreneurs, who tend to shut down businesses when profit prospects are no longer high enough to justify keeping a business running.

In the first half of 2016, the number of voluntary liquidations overcomes 30,000, which is 3.5% more than the first half of 2015. Estimates point to a rise in voluntary liquidations of both dormant² companies and "active" corporations.

Considering the different industries, the service sector appears to be where uncertainty over future revenue has taken the biggest toll; from a geographical perspective, voluntary liquidations went up in all broad areas of the country.

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¹ 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.

² Those that did not submit any valid financial statements in the last three years.

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