

# Bit Market Services

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**PRESS RELEASE**

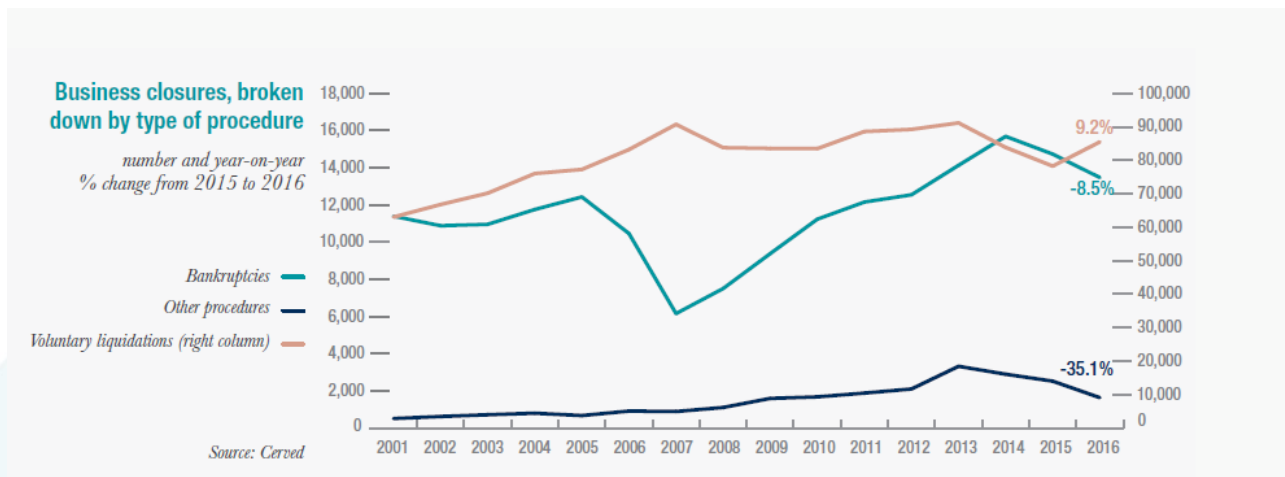
**CERVED MONITOR OF BANKRUPTCIES AND BUSINESS CLOSURES: IN 2016, BANKRUPTCIES FELL FASTER BUT VOLUNTARY LIQUIDATIONS WENT BACK UP**

- **13,500 ITALIAN BUSINESSES WENT BANKRUPT IN 2016, DOWN 8.5% FROM 2015**
- **SHARP 35% DROP IN NON-BANKRUPTCY INSOLVENCY PROCEEDINGS, AS USE OF THE VOLUNTARY ARRANGEMENT COLLAPSED**
- **VOLUNTARY LIQUIDATIONS WENT BACK UP (BY 9.2%)**

Milan, 13 February 2017 – In 2016, downward trends in the number of bankruptcies and other insolvency proceedings gained strength, on the back of diminishing use of the voluntary arrangement with creditors, but there was an upturn in voluntary liquidations of solvent businesses.

This is the picture painted in the **Monitor of Bankruptcies, Insolvency Proceedings and Business Closures for 2016** released today by Cerved, the Italian leader in credit risk analysis and non-performing loan management.

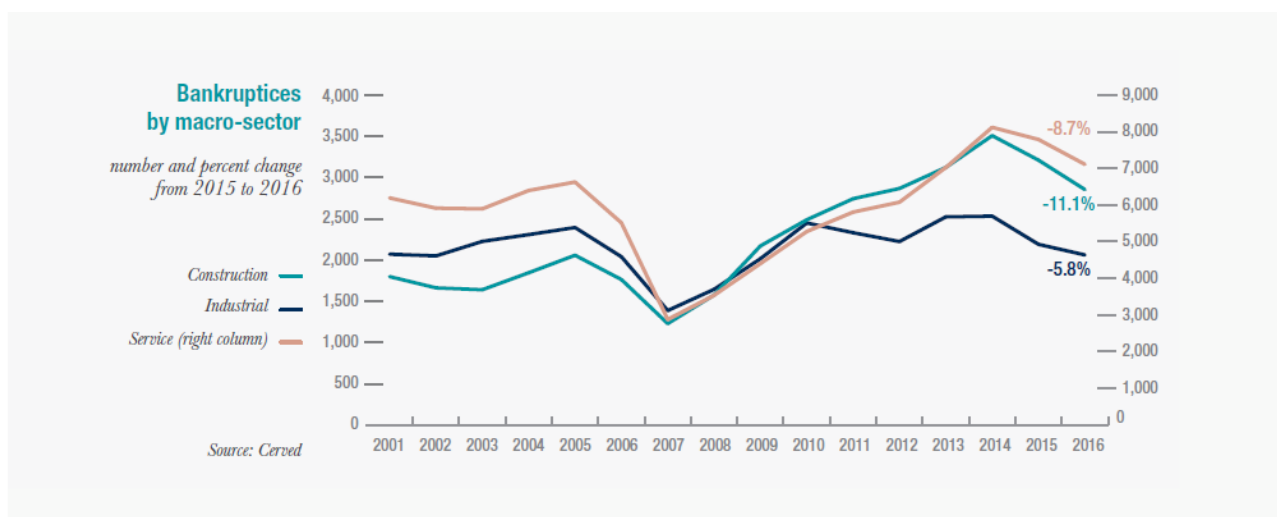
“Last year was a positive one overall. Improvements already seen in 2015 continued and gained strength, with a more marked decrease in bankruptcies and other insolvency proceedings, spreads across almost all regions of the country.” – **said Marco Nespolo, Chief Executive Officer of Cerved** – “Nevertheless, there are some warning signals: we are still far from the pre-crisis levels and the increase in voluntary liquidations might actually be a reflection of less optimistic expectations among entrepreneurs”.



**FEWER BANKRUPTCIES FOR THE SECOND CONSECUTIVE YEAR, WITH ONLY SARDINIA (+26%) AND SICILY (+3%) GOING THE OTHER WAY**

For the second consecutive year, the number of bankruptcies decreased: in 2016, 13,500 Italian businesses went bankrupt, down 8.5% from the 14,700 seen in 2015 (which was 6.1% lower than the 2014 peak). The 2016 decline was rather uniform across all legal forms of business, with only a slightly greater decrease among corporations (8.5%) than among partnerships (8.2%).

Bankruptcies went down in all macro-sectors, though more substantially in construction (2,900 proceedings, -11.1% vs 2015) than in services (7,100 proceedings, -8.7% vs 2015) or manufacturing (2,100 proceedings, -5.8% vs 2015). Over a broader timeframe, the industrial sector is much closer to its pre-crisis level (25% above) than either construction (81% above) or services (100% above).



Geographically, bankruptcies decreased throughout Italy, with the exception of the island regions, where numbers went back up. The 6.4% decrease recorded in Southern Italy involved only the mainland Southern regions, as in Sicily (+3%) and, even more noticeably, in Sardinia (+26%), the downward trend seen in 2015 came to a halt. Greater decreases, on the other hand, were observed in the northern regions: in the North-East (where bankruptcies had continued to increase in 2015), bankruptcies fell by 13%, while in the North-West, bankruptcy numbers fell by about 10% for the second consecutive year, to under 4,000, with more pronounced decreases in Piedmont (-15%) and Liguria (-12%) than in Lombardy (-8.3%).

## FEWER OTHER INSOLVENCY PROCEEDINGS, DRIVEN BY DWINDLING USE OF VOLUNTARY ARRANGEMENTS

For the third year in a row, the number of non-bankruptcy insolvency proceedings<sup>1</sup> dropped: **in 2016, a total of 1,640 such procedures began, 35.1% fewer than in 2015. This decrease was heavily influenced by the trend in voluntary arrangement applications.** Use of this instrument skyrocketed from 2011 to 2013, due to both the recession and legislative changes, including the introduction of the 'blank' voluntary arrangement application, which made such arrangements more favourable for companies. Then, following some amendments to this legislation<sup>2</sup>, voluntary arrangement applications have fallen: in 2016, 817 were submitted, 42% fewer than in 2015 and only one-fourth as many as the peak number filed in 2013 (2,200).

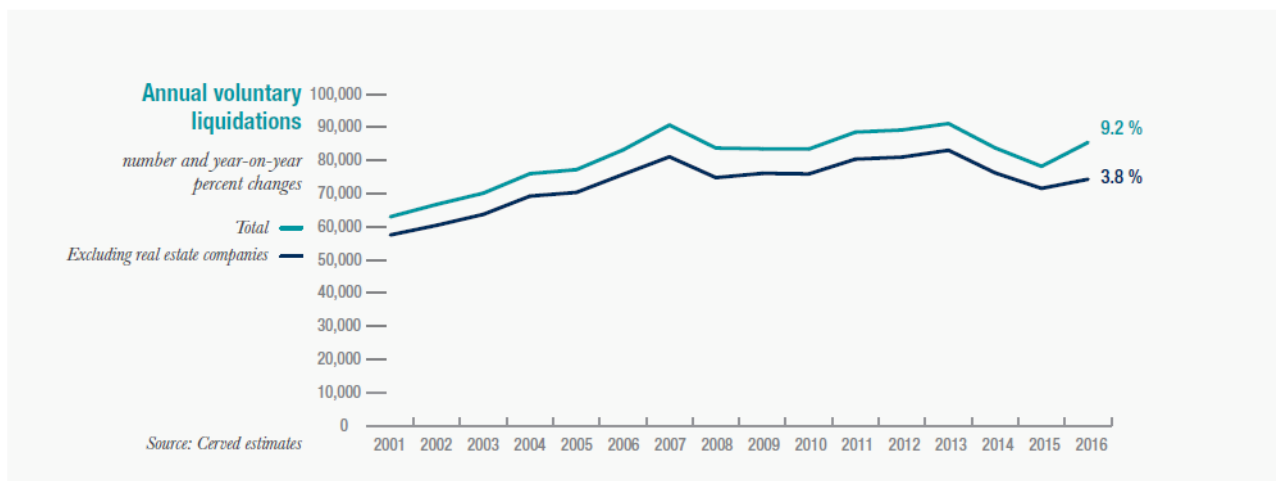
Non-bankruptcy insolvency proceedings decreased in all sectors of the economy, with 37% drops in the industrial and construction sectors and a 32% drop in the service sector. Geographically, the decline ranged from 35% to 38% in Central and Northern Italy, while it was a more moderate 26% in the South and Islands.

<sup>1</sup> The analysis includes proceedings for extraordinary administration, voluntary arrangements (i.e. composition with creditors), business restructuring agreements under Art. 182 of the Finance Law, as well as receivership proceedings and insolvency declarations. It does not include business registry cancellation procedures or proceedings ordered by regulatory authorities.

<sup>2</sup> To discourage opportunistic behavior in the 'blank' voluntary arrangement, the legislature began to fear that this option could be used opportunistically, and thus in Law Decree no. 69/2013 granted courts the right to appoint a special commissioner to monitor the conduct of the applicant debtor company.

## VOLUNTARY LIQUIDATIONS BACK UP

Going against the 2016 trend in bankruptcies and non-bankruptcy proceedings, **voluntary liquidations rose by 9.2%** year-on-year to over 85,000. A portion of this increase can be attributed to new tax regulations that made it advantageous for some companies, particularly real estate companies, to liquidate<sup>3</sup> (+67%, from 6,600 to 11,100). If we exclude real estate companies from the statistics, voluntary liquidations rose by a much more moderate 3.8%, but this marks an inversion in the trend nonetheless. This increase might be a reflection of less optimistic expectations among entrepreneurs, an argument that is corroborated by ISTAT's business confidence indicator, which fell by five points from 2015 to 2016.



Breaking down the figures by sector, voluntary liquidations picked up across the entire economy. Increases were more sizeable in construction (+6.6%) and services (+5.5%, excluding real estate companies) than in manufacturing (+2.8%). In all macro-sectors, though, the number of voluntary liquidations was lower in 2016 than at the 2013 peak.

Geographically, the increase was concentrated mainly towards the northern end of the Boot, with rates (excluding real estate companies) between 7% and 11%; on the contrary, voluntary liquidations recorded a 4% drop in the South.

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**Cerved Group** is the largest information provider in Italy and one of the major credit rating agencies in Europe. It offers the most comprehensive range of products and services used by more than 30 thousand companies and financial institutions to assess the solvency and creditworthiness of its stakeholders, manage credit risk in all its phases, and accurately define marketing strategies. Furthermore, through Cerved Credit Management, Cerved is the leading independent player in the field of credit management and offers solutions for the evaluation and management of credit exposures.

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Contacts: Community – Strategic Communication Advisers  
Ph. +39 02 89404231  
[cerved@communitygroup.it](mailto:cerved@communitygroup.it)  
Marco Rubino Ph. +39 335 6509552  
Giovanna Benvenuti Ph. +39 346 9702981  
Marco Pedrazzini Ph. +39 347 0369222

<sup>3</sup> The 2016 Stability Law (Italy's annual budget and financial law) contains a measure introducing tax breaks on the transfer of immovable property to the stakeholders of companies in liquidation, which has provided an incentive for some companies – especially real estate companies – to liquidate.

Fine Comunicato n.1597-13

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