



September 2014

Monitor of Bankruptcies, Insolvency Proceedings and Business Closures

Second Quarter 2014

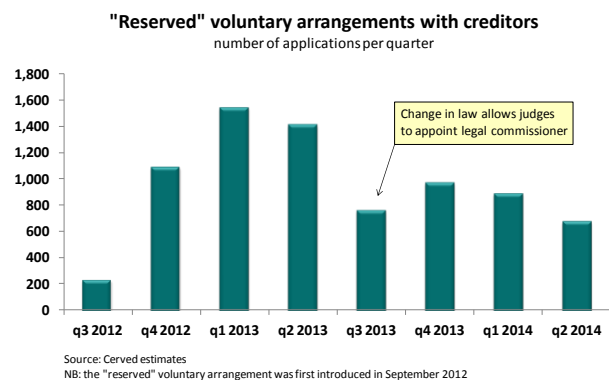
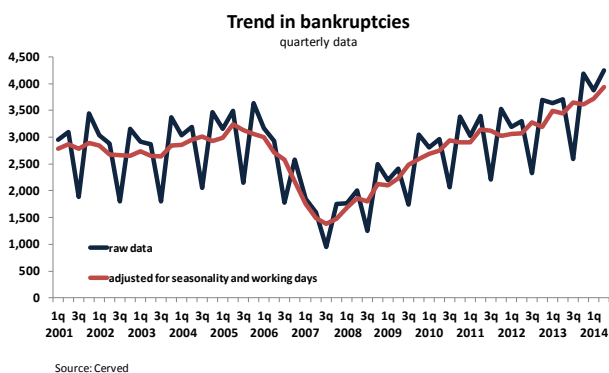


Another upsurge in bankruptcies in the second quarter

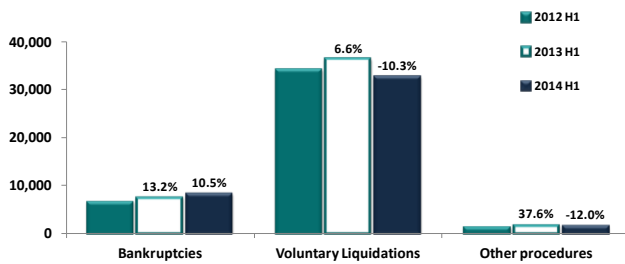
Bankruptcy numbers on course for a new record high in 2014. Decreases in both voluntary liquidations and arrangements with creditors

Summary

Cerved's data on business closures show that in the second quarter of 2014 the number of bankruptcies in Italy hit a new record high, whereas there was a decrease in both voluntary closures of companies in good standing and non-bankruptcy insolvency proceedings as a result of legislative modifications made in September 2013 to the "reserved" voluntary arrangement. Over 4,000 companies declared bankruptcies between April and June, bringing the total number since the beginning of the year to over 8,000, 10.5% more than in the first half of 2013, setting a new record high since the historical series began in 2001. The increase in bankruptcy proceedings spared neither any sector nor any geographical area: defaults rose everywhere and at double-digit rates in the service sector as well as in the North-West, Centre and South of Italy. In the second quarter, the number of "reserved" voluntary arrangements (whereby executive actions by creditors can be blocked before the company in debt drafts a restructuring plan) collapsed to just half as many as a year ago. This is due to corrective legislation introduced in September 2013 that enables the courts to appoint a judicial commissioner to monitor the debtor's conduct during the proceedings. This legislation has subsequently also led to a notable decrease in the number of voluntary arrangements with restructuring plans (12.3% less in the first half of 2014 than in the first half of 2013).

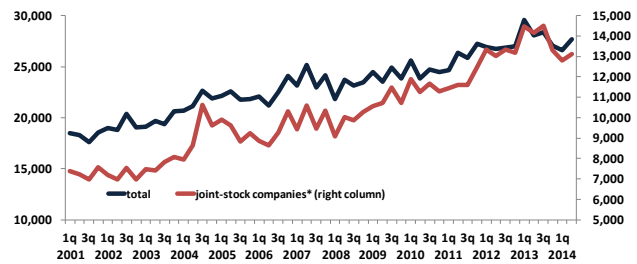


Business closures: breakdown by type of procedure
number of proceedings in the first half of the year and year-on-year % changes



Source: Cerved

Insolvency proceedings and liquidations
figures season-adjusted and corrected for the number of working days



Source: Cerved estimates. *excludes companies that did not submit any valid financial statements in the three years prior to winding-up

Between January and June this year, about 32,500 entrepreneurs decided, of their own accord, to close their businesses; this is 10.3% fewer than in the first six months of last year. This decrease marks an inversion in the trend after a lengthy period of increases; signs of an inversion had in fact appeared in the first quarter of the year. Voluntary liquidation numbers decreased among all types of companies, in all sectors of the economy and in all areas of the country. Particularly sharp reductions were registered in the industrial sector (-18.8%) and in central Italy (-22.4%).

Adding the figures together (bankruptcies plus other insolvency proceedings plus voluntary liquidations), the total number of business closures for the first half of 2014 comes to about 42,000, or 6.9% less than in 2013. This is the first decrease observed in this indicator since the first half of 2008.

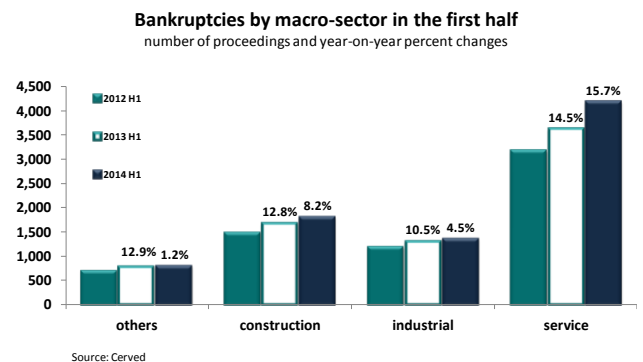
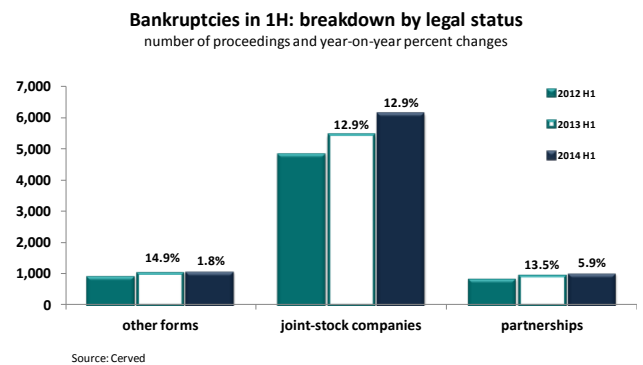
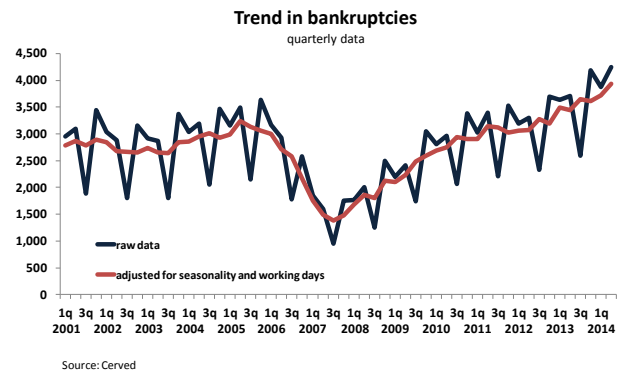
Bankruptcies

Bankruptcy numbers have not stopped climbing: between April and June, over 4,000 Italian businesses began bankruptcy proceedings. Having slowed down in the previous quarter, bankruptcies resumed double-digit growth (+14.3%), bringing the total in the first six months of 2014 to over 8,000, up 10.5% from 2013 and the most ever since 2001.

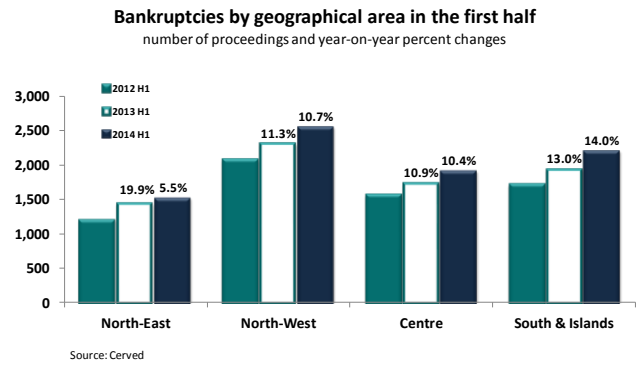
The biggest increase in bankruptcies was among joint-stock companies, which accounted for three-fourths of the total. In the first half of 2014, there was a 12.9% increase in bankruptcies among these companies to over 6,000. Increases were smaller among partnerships (+5.9%) and businesses of other legal status (+1.8%).

By macro-sector, the sharpest rise in bankruptcies was in the service sector (+15.7%), even faster than the 14.5% growth seen in the first half of 2013. Bankruptcy procedure numbers also continued to rise, although at slower paces, in construction and in manufacturing: there was an 8.2% increase among building companies (vs. +12.8% in the first half of 2013) and a 4.5% increase among manufacturing companies (vs. +10.5%).

The January-June increase in bankruptcies was also common to every part of the Boot, and at double-digit rates everywhere except in the



North-East, where bankruptcies rose just 5.5% to about 1,500, giving it the lowest total of the four broad geographical areas of the country. Bankruptcy numbers grew by 14% year-on-year in the first half of 2014 in the South and island regions, by 10.7% in the North-West and by 10.4% in central Italy.



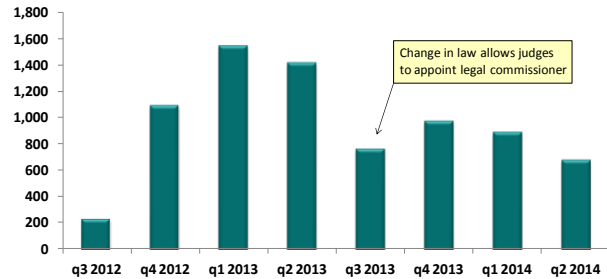
Non-bankruptcy insolvency proceedings

The number of applications for “reserved” voluntary arrangements with creditors continued to drop between April and June this year, by a massive 52.2% year-on-year to 665, the fewest since the third quarter of 2012. Since legislative changes were made, permitting judges to appoint a special judicial commissioner to monitor the conduct of the debtor company, there has been a tangible reduction in the use of this type of voluntary arrangement. From July 2013 to June 2014, just over 3,200 such applications were submitted, compared to over 4,200 during the year prior to the corrective legislation (23% less).

With this pre-arrangement being used less, there was a reduction overall in the number of non-bankruptcy insolvency proceedings: according to Cerved’s records, there were a total of 683 such proceedings that began in the second quarter of 2014, a 25.1% drop from the second quarter of 2013. Taking the first six months together, there were still more than 1,400 non-bankruptcy proceedings opened, but this is 12% fewer than a year ago.

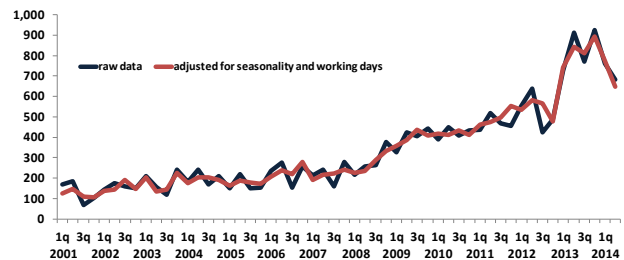
This year-on-year decrease is attributable to a decrease in voluntary arrangements with restructuring plans (-12.3%), although there were still over a thousand of these, as well as to

"Reserved" voluntary arrangements with creditors
number of applications per quarter



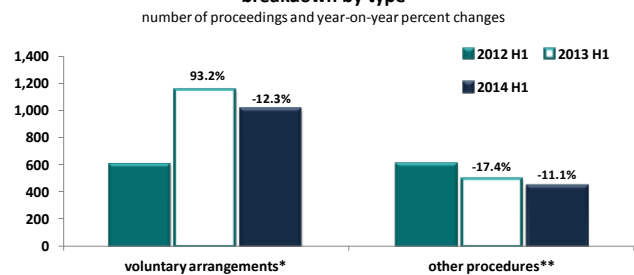
Source: Cerved estimates
NB: the "reserved" voluntary arrangement was first introduced in September 2012

Trend in non-bankruptcy insolvency proceedings
quarterly data



Source: Cerved. Excludes "reserved" arrangements with creditors, proceedings for business registry cancellations, dissolutions by regulatory authorities and court-ordered proceedings

Non-bankruptcy insolvency proceedings in 1H:
breakdown by type



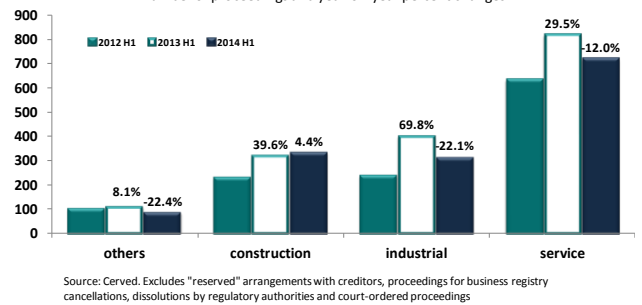
Source: Cerved. (*) Arrangements with creditors that involve restructuring plans. (**) Does not include proceedings for business registry cancellations, dissolutions by regulatory authorities and court-ordered proceedings.

an 11.1% decrease in other types of proceedings.

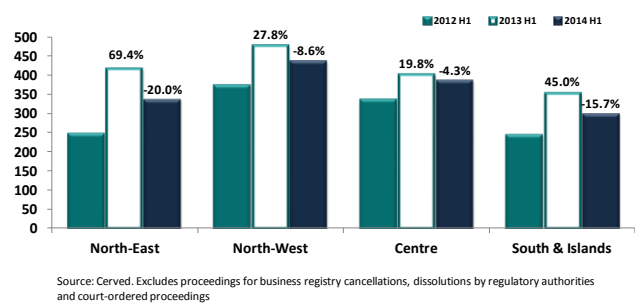
However, not all sectors of the economy saw decreases in non-bankruptcy insolvency proceedings. The trend actually continued upward in the construction sector (+4.4% from the first half of 2013), but decreased at double-digit rates in both industry (-22.1%) and services (-12%), although the highest number of non-bankruptcy insolvency proceedings was still in the service sector, with more than 700 opened in the first half of this year.

From a geographical point of view, on the other hand, the reduction was shared by all areas, with double-digit drops in both the South & Islands (-15.7%), where there were the fewest non-bankruptcy proceedings, and in the North-East (-20%). Decreases were less pronounced in the North-West (-8.6%) and in the Centre (-4.3%).

**Non-bankruptcy insolvency proceedings in 1H:
breakdown by macro-sector**
number of proceedings and year-on-year percent changes



**Non-bankruptcy insolvency proceedings in 1H:
breakdown by geographical area**
number of proceedings and year-on-year percent changes



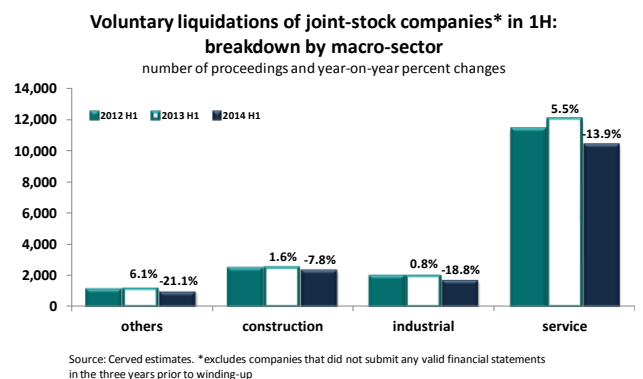
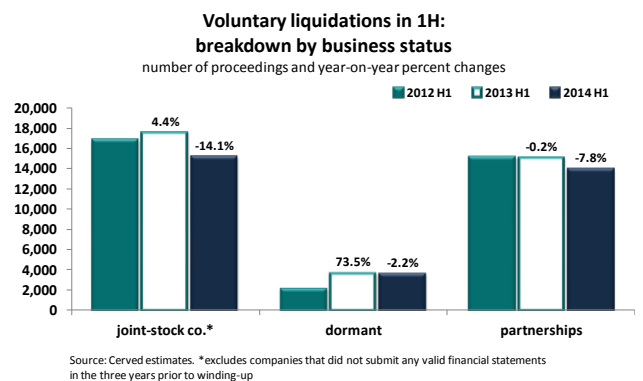
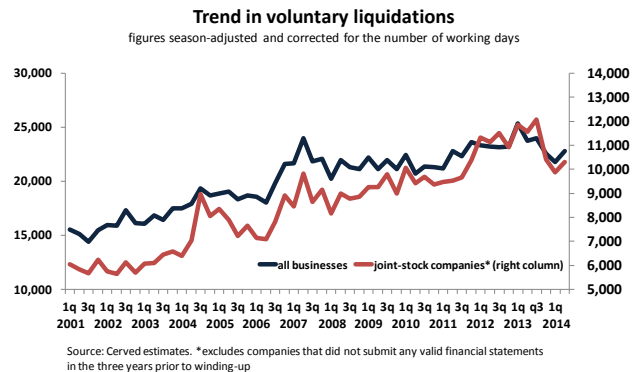
Voluntary liquidations

It is estimated¹ that about 16,000 entrepreneurs began liquidation proceedings of their own accord between April and June 2014; this figure is 3.3% less than in the same period of 2013. This decrease marks an inversion in the trend on a six-month basis: after rising for several years, the number of voluntary liquidations fell by 10.3% year-on-year in the first six months of 2014 to about 32,500.

Liquidation numbers went down among all types of companies: the biggest decrease was among “truly active” joint-stock companies (-14.1%), while there was a 7.8% drop in voluntary liquidations of partnerships and a 2.2% drop among “dormant” companies, that is, those that had not submitted financial statements in any of the three years prior to winding up.

Considering only non-dormant companies, voluntary liquidations decreased across all sectors and all geographical areas. The reduction was in double-digit territory in the industrial sector (-18.8%) and in the service sector (-13.9%); the latter is still the macro-

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. The actual first quarter 2014 number of about 17,000 is lower than the estimate of 19,000 provided in the previous edition of this Monitor.



sector with the most such liquidations (over 10,000 in the first six months). There was a more moderate 7.8% decrease in voluntary liquidations among construction companies.

Geographically, voluntary liquidations fell at double-digit rates in every broad area of Italy, going down by 22.4% year-on-year in the first six months in the Centre, by 14.2% in the North-East, by 10.3% in the South and by 10.1% in the North-West, which was again where the highest number of companies was liquidated (over 4,500 in the first half).

