



MONITOR OF BANKRUPTCIES, INSOLVENCY PROCEEDINGS AND BUSINESS CLOSURES

FEBRUARY 2015

#22

RECORD NUMBER OF BANKRUPTCIES - OVER 15,000 IN 2014

SUMMARY

A million jobs lost from bankrupt businesses since the crisis started; fewer voluntary liquidations and other insolvency proceedings

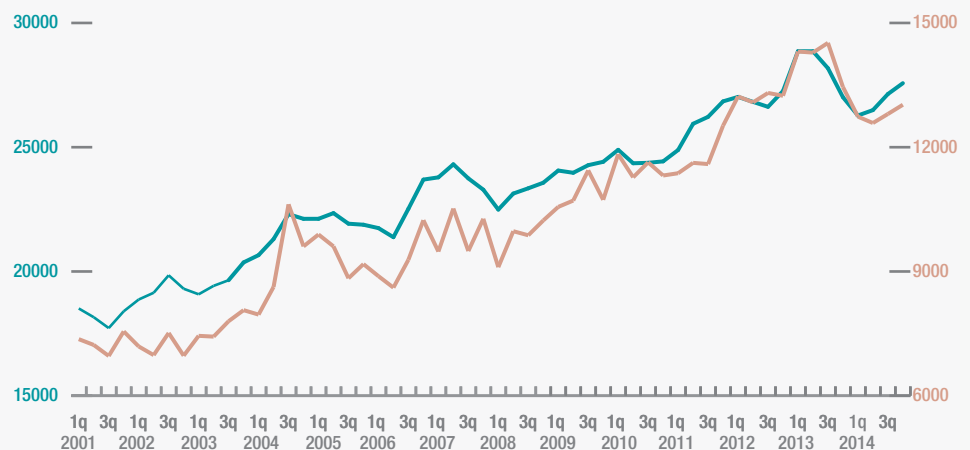
A year of lights and shadows for business closures has just ended. 2014 saw a record number of new bankruptcies, affecting most Italian regions and with a strong impact on jobs. Yet the same year recorded a net decline in the number of non-bankruptcy insolvency proceedings and - for the first time since 2010 - a drop in the number of voluntary liquidations by companies in good standing. Based on Cerved archives, there were a total of 104 thousand business closures in 2014 in the form of bankruptcies, non-bankruptcy insolvency proceedings and voluntary liquidations, down 3.5% on the 2013 peak.

Business proceedings and voluntary liquidations

figures deseasonalized and adjusted for number of business days

Total —
Joint stock companies* (right scale)
(*) excludes joint stock companies that never filed financial statements in the three years prior to closure

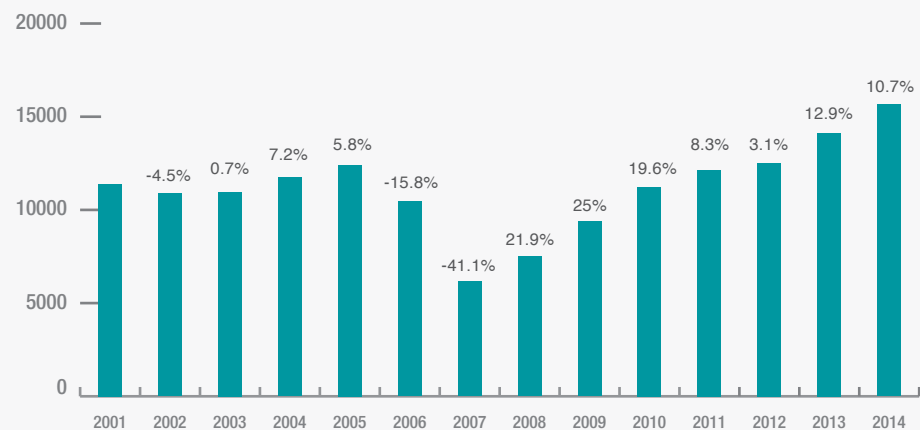
Source: Cerved



Bankruptcies trend

absolute values, 10Y growth rates

Source: Cerved



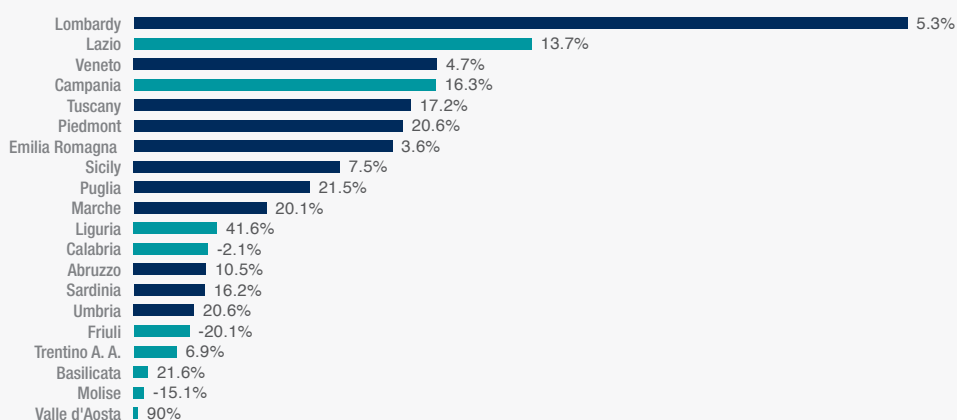
Bankruptcies during the year by region

absolute values,
2014/2013 growth rate

Highest since 2001

2014

Source: Cerved



4,479 businesses declared bankruptcy in the final quarter of last year - the most recorded in a single quarter since the time series began in 2001. This brought the total 2014 bankruptcies to well over the 15,000 mark, a 10.7% increase over the negative record of 2013. More than a tenth of businesses taking their books before the bench in 2014 had already applied for “reserved” arrangements, the procedure introduced in 2012 to simplify access to voluntary arrangements with creditors. This procedure might have helped to bring struggling businesses to light sooner, triggering bankruptcies. The year on year increase in bankruptcies affects all areas of the country, with eleven out of twenty regions recording their worst figures since 2001. In the various sectors, proceedings are still on the rise in tertiary services and construction, whilst industry bankruptcies held the same levels as last year as a result of the improvement seen in the last three months of the year. Analysis of the impact of bankruptcies on jobs (see focus) shows the strong impacts of the crisis. The 83,000 companies launching proceedings between 2008 and 2014 employed almost a million staff. 175,000 jobs were lost from the 15,000 plus companies that went bankrupt in 2014 alone, down slightly on the previous year (176,000).

Businesses closed by proceedings method

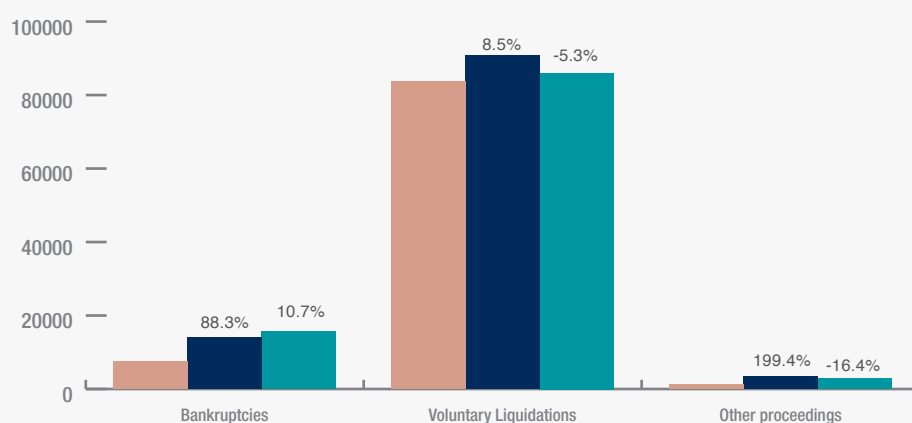
number of proceedings and
year-on-year percent changes

2008

2013

2014

Source: Cerved



The figures indicate that 2,784 non-bankruptcy insolvency proceedings were opened in 2014, a definite improvement on over 3,000 recorded in 2013. Legislative changes introduced to “reserved” arrangements - particularly the option for courts to appoint a judicial commissioner to monitor the debtor’s conduct - led to a sudden drop in “reserved” applications and in voluntary arrangements with creditors including a restructuring plan (-20.5% on 2013).

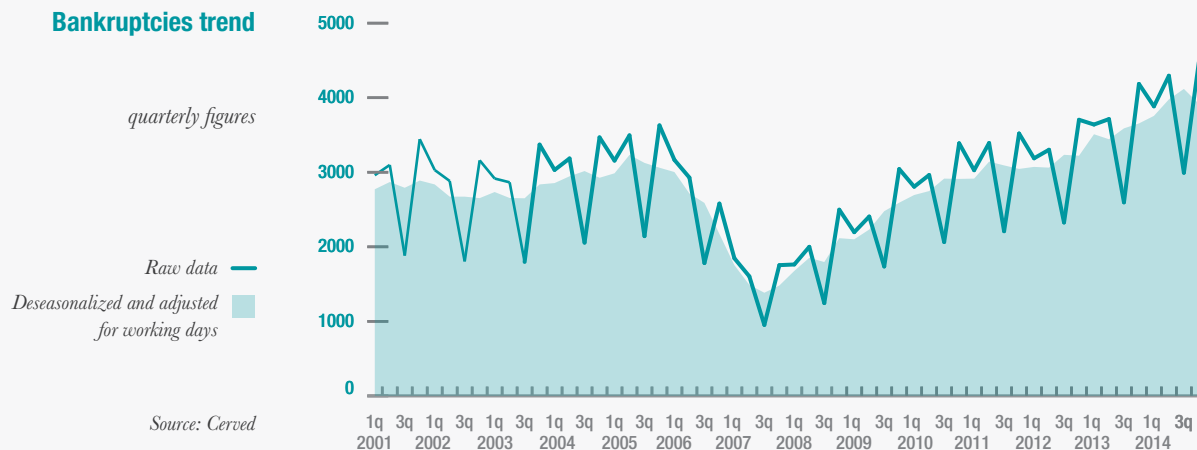
After four years, 2014 saw a downturn in the number of companies of good standing placed in voluntary liquidation by shareholders. This could be a sign of improved business owner confidence. The total voluntary liquidations is estimated at 86,000, down 5.3% on the 91,000 of 2013. The decrease is even greater (-10%) if “dormant companies” are excluded (companies entered in the Register of Companies but never actually active on the market). This trend affected all the business sectors and all geographic areas, particularly positive for industry and the Centre and South of the country.

BANKRUPTCIES

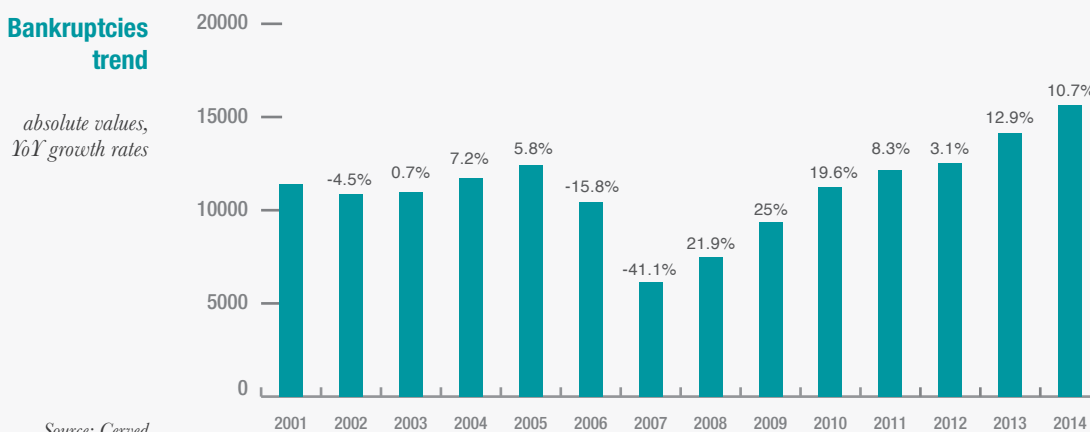
The year closed with a record number of bankruptcies. 4,479 businesses declared bankruptcy between October and December, 7% more than in the same period of 2013 and the highest recorded in a single quarter since the time series began. This brought the total 2014 bankruptcies to 15,651, a 10.7% increase over 2013 (the previous annual record). The time series shows that bankruptcies have been increasing constantly since the beginning of the crisis, more than doubling the 7,506 proceedings opened in 2008 when the crisis was only just kicking in¹.

A far from negligible number of bankruptcies in the last two years (over 3,000) had already filed “reserved” arrangements. In 2014 alone these totalled 1,858 - no less than 11.9% of all the companies bringing their accounts before the courts.

Bankruptcies trend



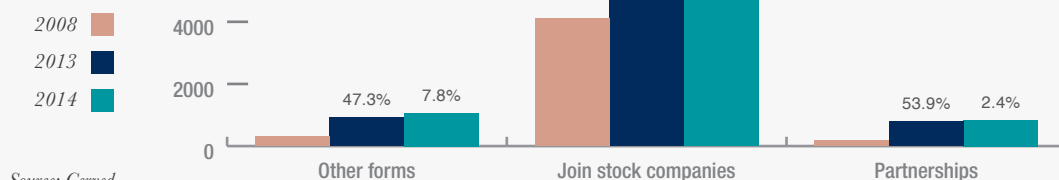
Bankruptcies trend



1. The bankruptcy law reforms of 2006 and 2007 changed the insolvency thresholds, excluding a considerable number of small businesses from the bankruptcy regulations. So a comparison with 2008 proves to be more level.

Bankruptcies during the year by legal status

*absolute values and
year-on-year percent changes*

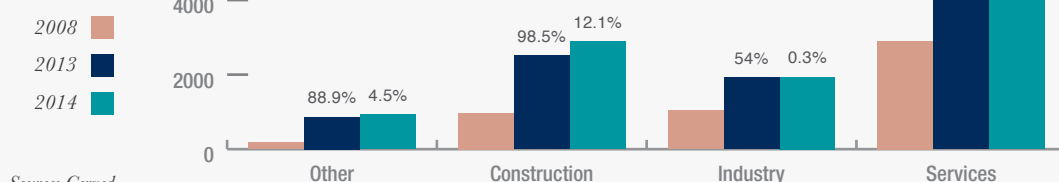


Source: Cerved

More than three-quarters of bankruptcies recorded during the year were joint stock companies. Just under 12,000 filed bankruptcy petitions in 2014, up 12.7% on 2013. The increase in partnerships (+2.4%) and other legal formats (+7.8%) was therefore smaller. The strong increase in bankruptcies is due to the negative performances seen in the construction and tertiary sectors, whose respective defaults rose in number by 12.1% and 15.2% year on year. The higher number of proceedings in services spanned all tertiary sectors, reaching double-digit growth rates in non-financial services, information-entertainment, distribution and among real estate companies. Bankruptcies in industry, however, maintained their 2013 level (+0.3%) because of the decline recorded in the last three months of the year (-7.9%). For manufacturing, bankruptcies and defaults fell in chemicals, hi-tech, home, transport vehicles, consumer goods and metals, but rose in the fashion, engineering, intermediate goods and other consumer goods sectors.

Bankruptcies during the year by macro-sector

*absolute values and
year-on-year percent changes*



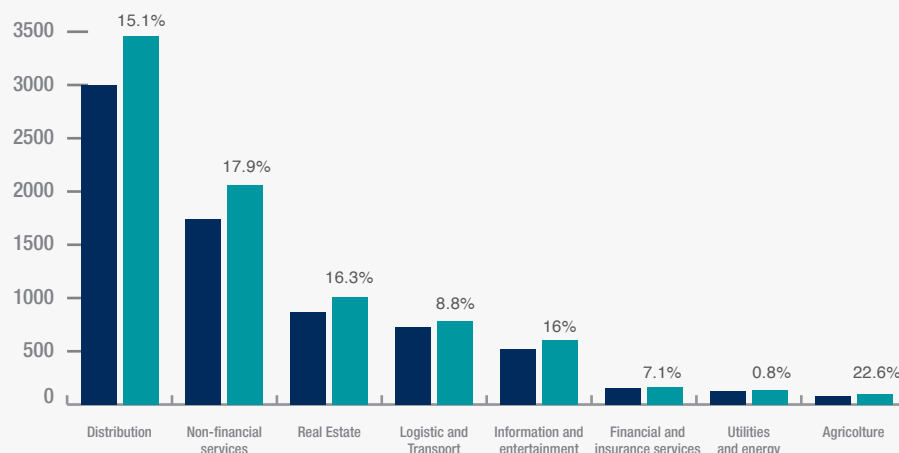
Source: Cerved

Service company bankruptcies during the year

absolute values and
YoY growth rate

2013 ■
2014 ■

Source: Cerved

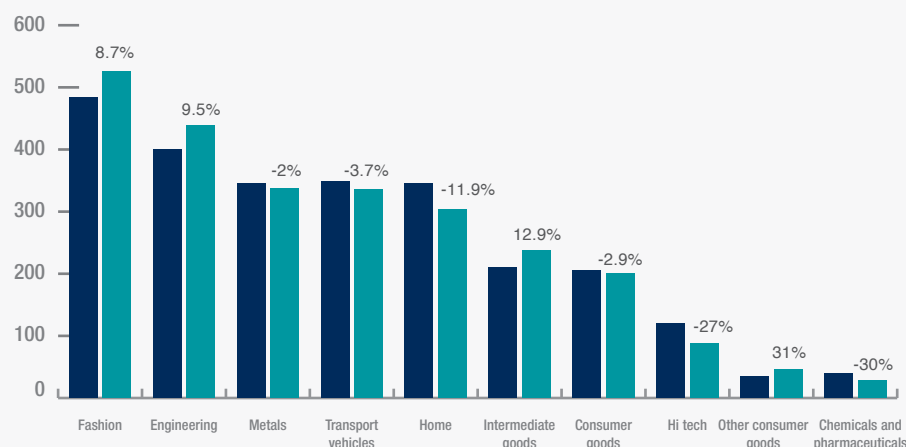


Industry bankruptcies during the year

absolute values and
YoY growth rate

2013 ■
2014 ■

Source: Cerved

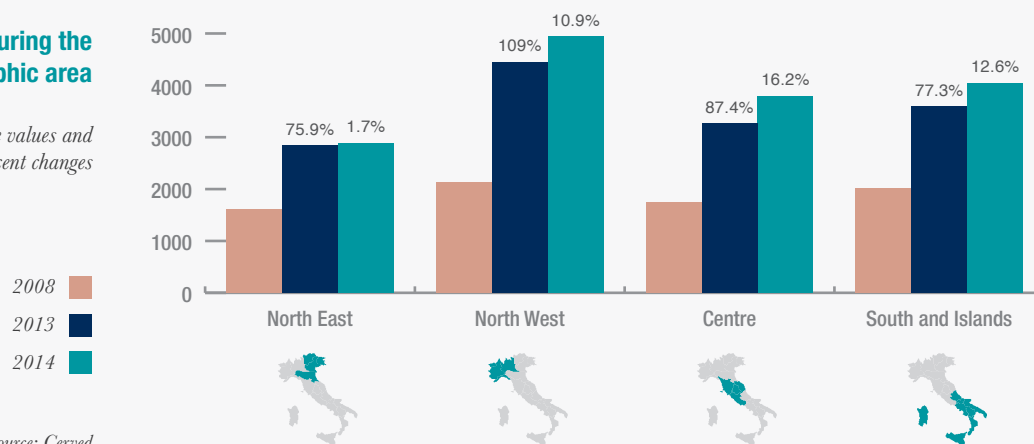


The fourth quarter of 2014 saw bankruptcies follow different trends at regional level. Strong increases were recorded in the Centre (+20.9% on the same period of 2013), South (7%) and North West (3.1%), with a downturn of 4.1% seen in the North East. Countrywide, however, the number declaring bankruptcy in 2014 hit record levels since the start of the time series. Almost 5,000 defaults in the North West (+10.9% on 2013), over 4,000 in the South and Islands (+12.6%), 3,789 for the Centre (+16.2%) and 2,884 in the North East (the region with the lowest increase, +1.7%).

2014 set negative records in eleven out of Italy's twenty regions. Peak figures for bankruptcies were recorded in Lombardy (3,379 bankruptcies, +5.3% on 2013), Veneto (1,324, +4.7%), Tuscany (1,209, +17.2%), Piedmont (1,175, +20.6%), Emilia Romagna (1,130, +3.6%), Sicily (900, +7.5%), Puglia (768, +21.5%), Marche (579, +20.1%), Abruzzo (315, +10.5%), Sardinia (309, +16.2%) and Umbria (263, +20.6%). The only regions where figures fell were Molise (-15%), Friuli (-20.1%) and Calabria (-2.1%).

Bankruptcies during the year by geographic area

absolute values and
year-on-year percent changes

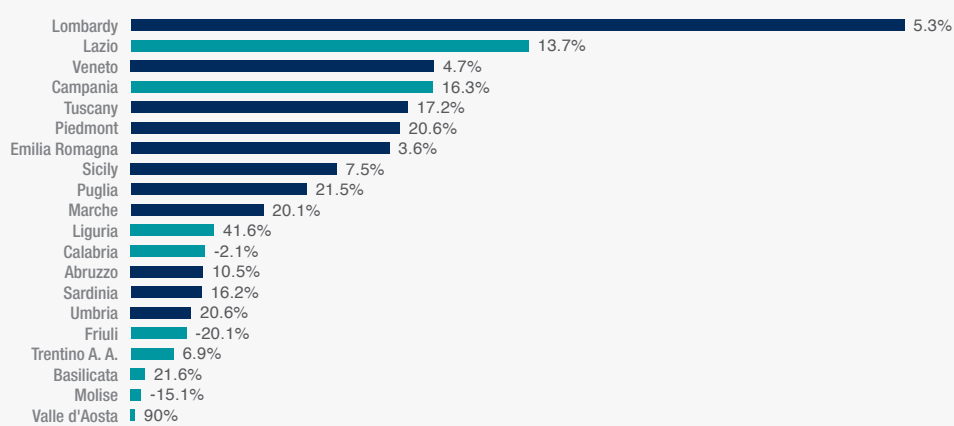


Source: Cerved

Bankruptcies during the year by region

absolute values,
2014/2013 growth rate

Highest since 2001
2014



Source: Cerved

NON-BANKRUPTCY INSOLVENCY PROCEEDINGS

The number of non-bankruptcy insolvency proceedings² in 2014 saw a sudden drop compared to 2013, especially in voluntary arrangements (despite remaining historically high). “Reserve” arrangements had a lower impact after legislative changes that enabled courts to appoint a judicial commissioner to monitor debtor conduct.

The figures indicate that 604 non-bankruptcy insolvency proceedings were opened in the last quarter of 2014, more than a third less than the same period in 2013. The total proceedings opened in 2014 was 2,784 (-16.4% compared to 2013). 1,819 of these (around 20% less than the previous year) were arrangements with creditors including a restructuring plan.

The “reserved” arrangements continued to fall in the fourth quarter (660 petitions, -31% on the same period of 2013). These minimum-content proceedings allow businesses to block creditor enforcement action until a restructuring plan is filed. Numbers have dropped since legislative changes were introduced to limit abuse. Specifically, a judicial commissioner can now be appointed to monitor debtor conduct: 2,908 “reserved” arrangement applications in 2014 vs. 4,629 in 2013 (-37.2%).

Non-bankruptcy insolvency proceedings trend

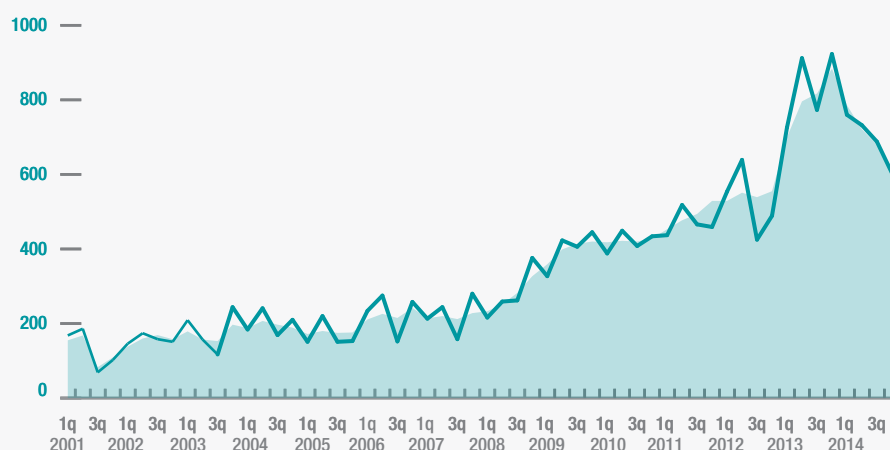
quarterly figures

Raw data —

Deseasonalized and adjusted for working days —

Excludes “reserved” arrangements, cancellation proceedings, winding-up proceedings and court-ordered proceedings.

Source: Cerved



Non-bankruptcy insolvency proceedings during the year by type

absolute values and year-on-year percent changes

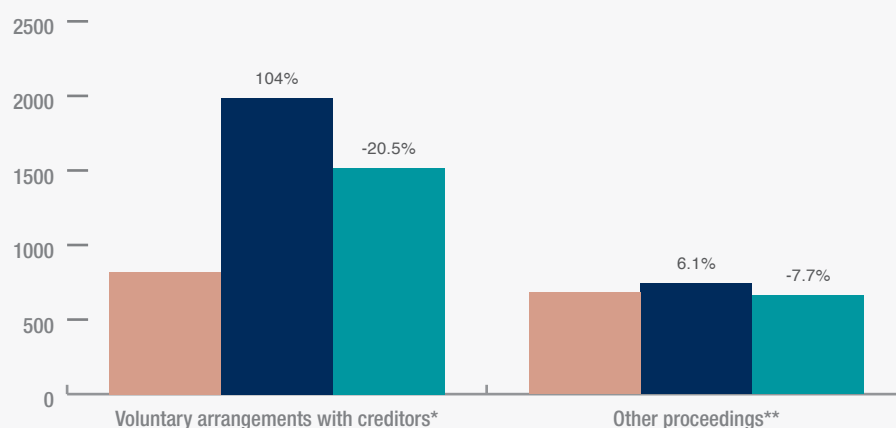
2008 —

2013 —

2014 —

(*) Arrangements with creditors that involve restructuring plan (**) Excludes cancellation, court-ordered winding-up and other court-ordered proceedings

Source: Cerved



2. Excludes cancellation, court-ordered winding-up and other court-ordered proceedings.

"Reserved" arrangements with creditors

number of applications per quarter

Note: "reserved" arrangements with creditors were introduced in September 2012.

Source: Cerved estimate

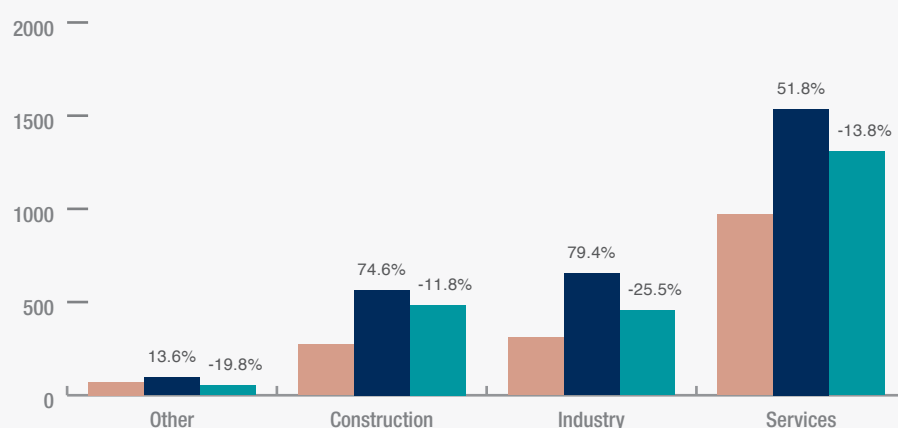
**Non-bankruptcy insolvency proceedings during the year by macro-sector**

absolute values and year-on-year percent changes

2008 ■
2013 ■
2014 ■

Excludes "reserved" arrangements with creditors and cancellation, court-ordered winding-up and other court-ordered proceedings.

Source: Cerved



The decrease in non-bankruptcy insolvency proceedings was seen in all economic sectors, with industry recording the strongest drop: 577 proceedings in 2014, ¼ less than in 2013. More limited, but in any event in double digits, were the decreases recorded in construction (-11.8%) and services (-13.8%). However, non-bankruptcy insolvency proceedings still remain at historically high levels in all sectors - higher than those of 2012.

Even regional figures show a general slowing of the phenomenon, though not sufficient to bring them below the levels of two years ago. The North East recorded 617 proceedings, down 22.9%, the strongest decrease in the country. The North West and the South saw a drop of 16%, whilst the decrease was smaller in central regions of Italy (-10.5%).

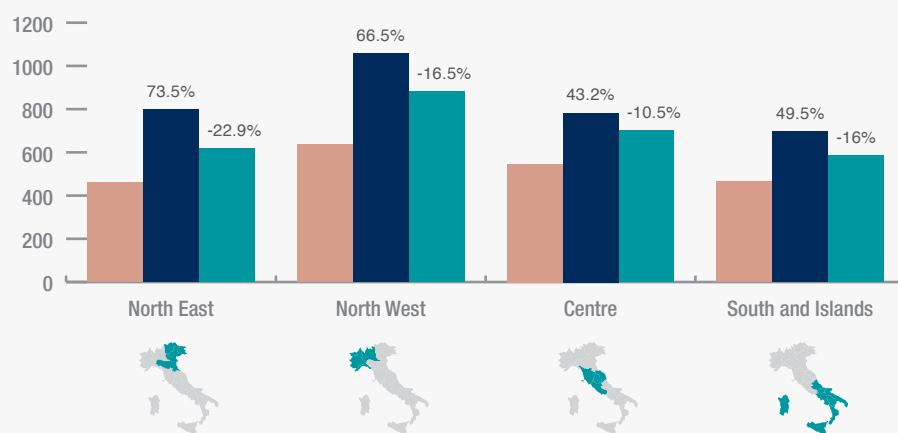
Non-bankruptcy insolvency proceedings during the year by geographic area

absolute values and year-on-year percent changes

2008
2013
2014

Excludes cancellation, court-ordered winding-up and other court-ordered proceedings.

Source: Cerved

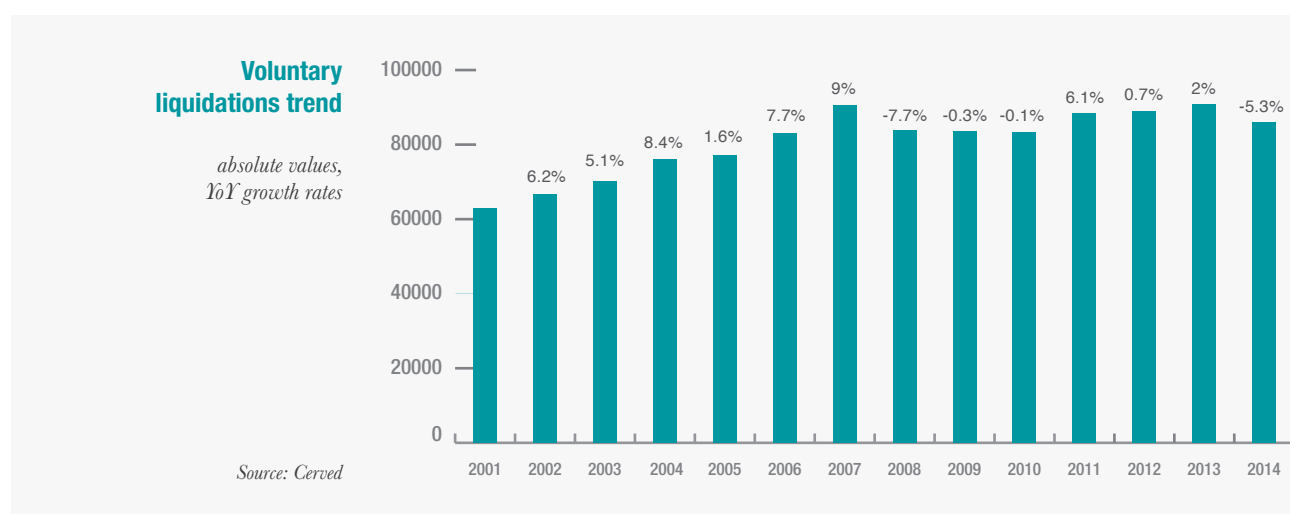
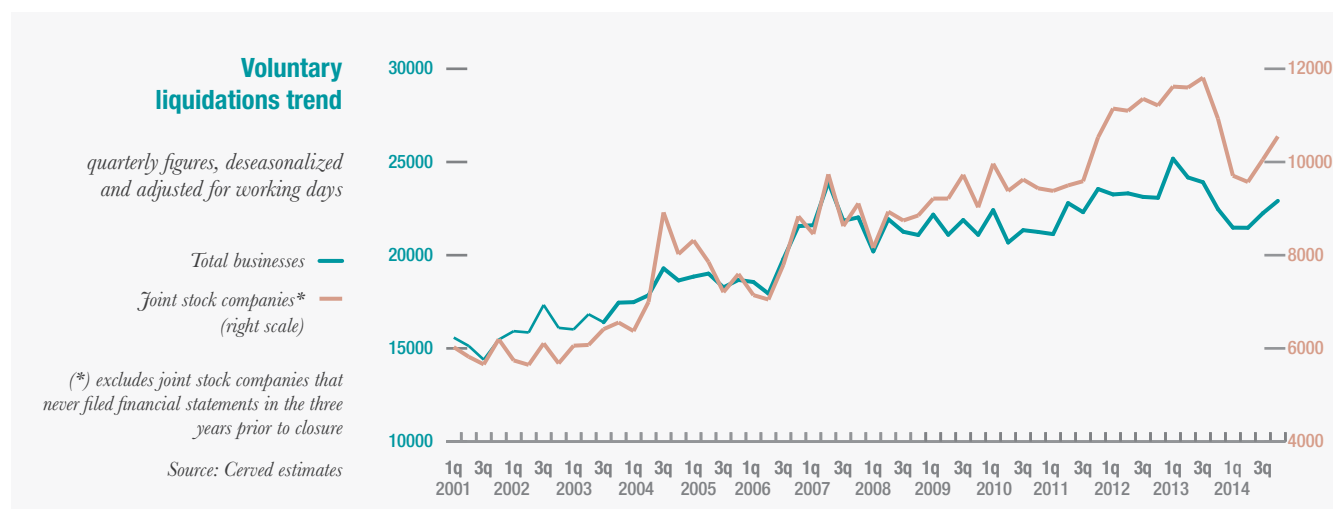


VOLUNTARY LIQUIDATIONS

After four years, the number of companies in good standing placed in voluntary liquidation by shareholders is on the downturn.

It is estimate³ that in the final quarter of 2014 41,200 business owners voluntarily liquidated their companies, up 3% on the same period of the previous year. This figure brings 2014 total liquidations to 86,000, 5.3% less than the near 91,000 of 2013. It is the first decline in the trend seen since 2010.

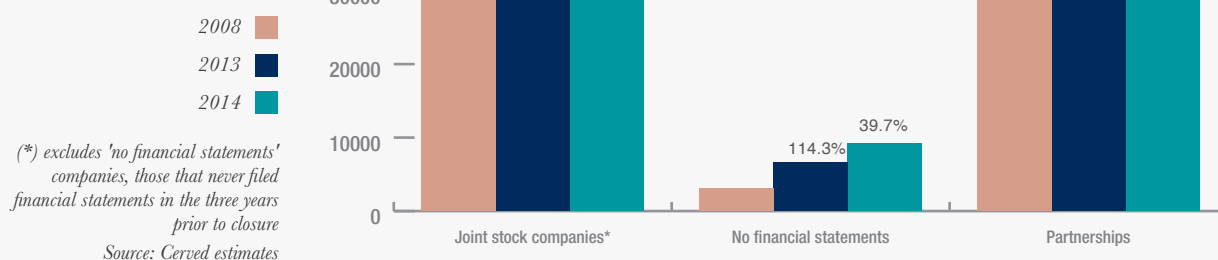
The trend is even more positive if “dormant” companies are excluded (entered in Registers of Companies but never actually operational). For joint stock companies, in fact, the decrease among ‘genuine’ companies hits double digits (-10.6% among companies filing at least one valid set of financial statements in the three years prior to closure). For “dormant” companies, on the other hand, i.e. companies that filed no financial statements in the three years prior to proceedings, the figure rose by almost 40%. Voluntary liquidations of partnerships also fell (-6.8%).



3. Due to delays in Chamber of Commerce database updates, liquidation figures are estimated for the most recent quarter and then corrected and updated in the subsequent Monitor report. The actual third quarter 2014 number of 13,500 is lower than the estimate of 14,500 provided in the previous edition of this Monitor.

Voluntary liquidations during the year by legal status

number of cases and year-on-year percent changes



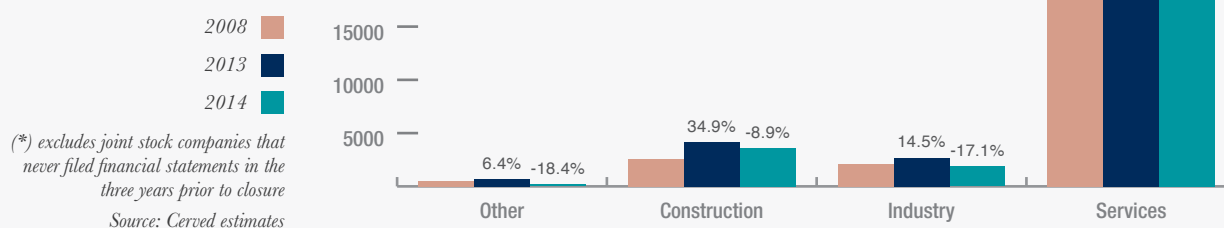
The drop in 'genuine' joint stock company liquidations was common to all sectors of the economy. The strongest decrease was in industry, recording just under 4,000 voluntary liquidations in 2014, 17.1% less than in 2013. The number of construction companies opting for voluntary liquidation also fell by 8.9% to 5,700 in the last year. The sector with the highest number of voluntary liquidations was tertiary: 27,500 in 2014, down 9.3%.

In geographic terms, the decline in voluntary liquidations of 'genuine' joint stock companies is strongest in the Centre and South. Voluntary liquidations fell by 16.1% in 2014 in the South to stand at just over 10,000, whilst the Centre saw a 12% decrease.

11,400 voluntary liquidations of 'genuine' joint stock companies in good standing were recorded in the North West, 7.2% less than in 2013. In the North East, the Italian region with the lowest number of voluntary liquidations, the closures totalled 7,700, down 5.9% on the previous year.

Voluntary liquidation of joint stock companies* during the year by macro-sector

absolute values and year-on-year percent changes



Voluntary liquidation of joint stock companies* during the year by geographic area

absolute values and year-on-year percent changes

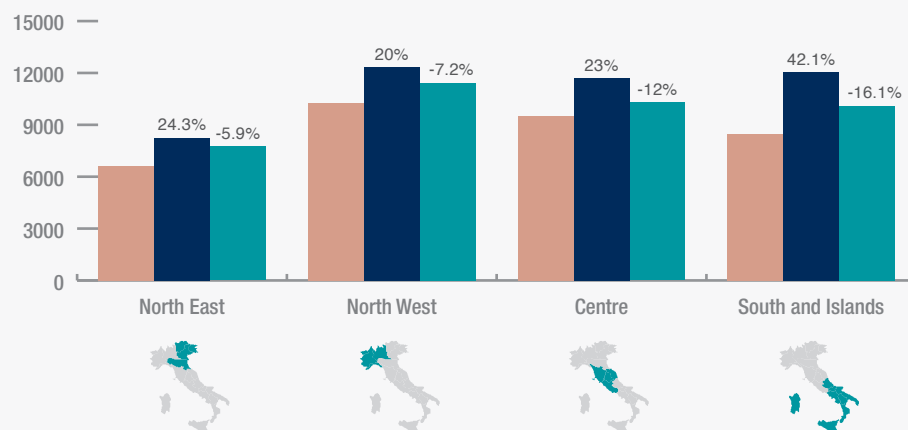
2008

2013

2014

(*) excludes joint stock companies that never filed financial statements in the three years prior to closure

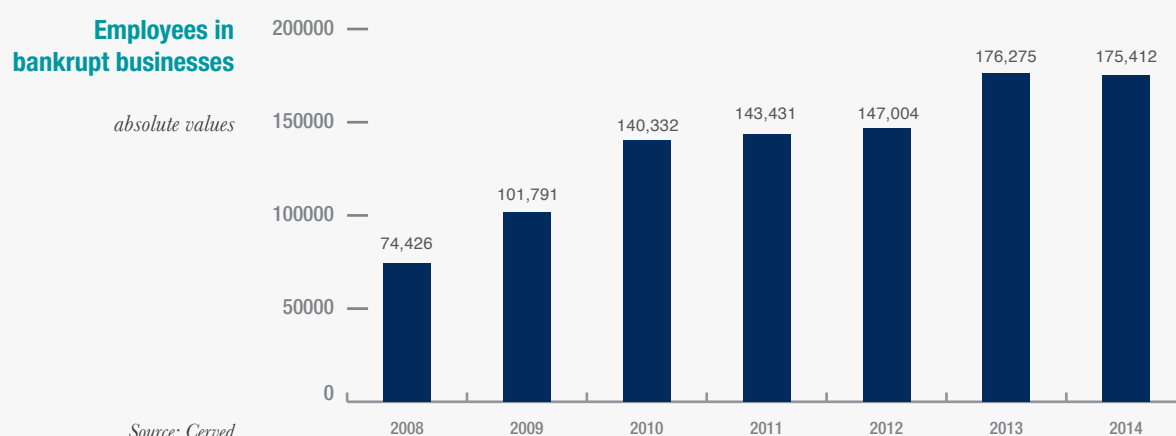
Source: Cerved estimates



ALMOST A MILLION JOBS LOST FROM BANKRUPT BUSINESSES

The never-ending story of Italian business bankruptcies since the start of the long recession, from which the Italian economy is struggling to surface, has had a particularly strong impact on employment levels.

From 2008 to 2014 a total of 82,561 businesses have gone bankrupt, mostly small businesses. According to estimates made on Cerved archives, these companies employed 959,000 staff. The time series shows that job losses increased as the number of defaults grew, peaking in 2013 - the year in which the number of employees in bankrupt businesses reached 176,000. In 2014, despite the strong increase in bankruptcies, slightly fewer jobs were lost (175,000, -0.5%) because the average size of companies filing was smaller. In any event, the number remains particularly consistent compared to the start of the crisis. The jobs lost have more than doubled since the 2008 figure of 74,000 (+136%).



The figures show that more than a third of jobs lost in 2014 (around 59,000) concerned North West businesses, with the strongest impact comes from the Lombardy figure (over 40,000 jobs lost). Employees of bankrupt companies in the various geographic areas numbered 42,000 in the Centre of Italy (22,000 in Lazio), 41,000 in the South (almost 13,000 in Campania) and 33,000 in the North East (15,000 in Veneto). If the analysis is expanded to all bankruptcy proceedings filed since the beginning of 2008, the regions paying the highest price in bankruptcies were Lombardy (220,000 jobs lost in proceedings between 2008 and 2014), Lazio (107,000), Veneto (89,000) and Piedmont (75,000).

Among the business sectors, estimates show that almost half the job losses from businesses going bankrupt in 2014 were from tertiary companies, with a strong contribution from non-financial services (29,000) and distribution (27,000). Around 43,000 staff lost their jobs in manufacturing (the bleed-out was seen mainly in the fashion industry where 9,000 jobs were lost and in engineering over 7,000), with construction recording around 39,000. Between 2008 and 2014, 406,000 jobs were lost in the tertiary sector, 278,000 in industry and 208,000 in construction.

4. Consider the number of staff employed in bankrupt businesses three years prior to proceedings opening. This figure is a pure estimate for companies with no information present.

JOBS LOST
BY SECTOR

	2014	Total 2008-2014
Industry	42,790	277,653
Consumer goods	2,720	16,637
Fashion	9,239	63,217
Home	5,667	36,380
Other consumer goods	438	2,862
Transport vehicles	4,657	26,073
Chemicals and pharmaceuticals	537	4,083
Metals	6,975	42,117
Engineering	7,324	49,309
Hi tech	1,732	14,503
Intermediate goods	3,500	22,473
Services	82,557	405,917
Information and entertainment	7,953	35,274
Distribution	27,172	120,725
Logistics and Transport	13,981	72,941
Non-financial services	28,729	154,868
Financial and insurance services	910	5,228
Real Estate	3,812	16,880
Construction	38,656	207,819
Other	11,410	67,281
Agriculture	1,284	5,691
Utilities and energy	1,855	15,175
Other businesses	8,271	46,415
Total	175,412	958,670

JOBS LOST
BY REGION

	2014	Total 2008-2014
North East	32,876	193,998
Emilia Romagna	12,949	71,521
Friuli	2,971	23,601
Trentino A. A.	1,877	10,301
Veneto	15,078	88,574
North West	58,855	313,656
Liguria	4,678	17,080
Lombardy	40,284	220,403
Piedmont	13,704	75,013
Valle d'Aosta	189	1,161
Centre	42,243	216,430
Lazio	22,075	107,279
Marche	7,013	36,968
Tuscany	10,823	57,008
Umbria	2,331	15,175
South and Islands	41,439	234,586
Abruzzo	2,786	25,048
Basilicata	823	4,586
Calabria	2,543	17,506
Campania	12,637	73,230
Molise	318	3,330
Puglia	8,743	46,907
Sardinia	3,543	17,970
Sicily	10,045	46,009
Total	175,412	958,670

Source: Cerved



© 2015 - Cerved Group Spa - All rights reserved – Reproduction prohibited