

## Euler Hermes: Italian non-payments average EUR 17,000 in 2015

- Days Sales Outstanding (DSO) remained high in 2015, but decreased by one day to 95 days on average. It is expected to decrease by one further day in 2016.
- The total amount of past-due receivables decreased by -16% in 2015
- The average value of a non-payment fell by -19% to EUR 17,000 in 2015. The improvement is more visible for domestic non-payments (-22%) than for those related to export (-9%).
- Business insolvencies decreased by -6% in 2015 after seven consecutive yearly increases. In spite of a forecast decrease (-6% in 2016 and -7% in 2017), the 13,800 insolvencies expected in 2016 represent more than twice as many cases as in 2007.

**MILAN - 23 FEBRUARY 2016** - [Euler Hermes](#), the worldwide leader in trade-credit insurance, presented the 2016 results of its annual Italian flagship [Non-payments Report](#). It analyzes payment behavior of Italian firms, by region and trade sector, using proprietary data on daily intercompany payments by 450,000 companies.

“In 2015, Italy GDP grew by +0.6% and finally emerged from a three-year recession,” said Ludovic Subran, chief economist at Euler Hermes. “In 2016, GDP growth of +1.1% is expected -- higher than 1% for the first time since 2010. Consumption should remain the main 2016 growth driver, contributing 0.7 point to total GDP growth. Investment performance is expected to double over the year (+1.3% after +0.5% in 2015, contributing 0.2 points to GDP growth). After its best performance since 2011, export growth should remain dynamic in 2016 (+3.1% after +3.9% in 2015). However, net exports will contribute negatively to growth (-0.2 point) as imports pick up. In 2016, Italy could benefit from a stable export gain of EUR 20bn after EUR 20bn in 2015. Company turnovers are expected to grow by +1% and margins should gain +0.1 point as the euro and oil prices stabilize.”

Against an improving economic backdrop in Italy in 2015, Euler Hermes analyzed the intercompany payment cycle: from payment days to past-due receivables to non-payments and insolvencies. Indicators improved slightly, though it will take more time to return to pre-crisis levels.

First, DSO finally descended below the 100-day mark in 2015, to 95 days. In 2016, it is expected to decrease very moderately to 94 days, still far from peer European countries and the European Union 60-day directive. The agri-food and automotive sectors recorded shorter-than-average payment periods.

Second, past dues have also decreased by -16% with services, household equipment and machinery and equipment being the best performers. Euler Hermes has developed a unique leading indicator based on past-dues called the Payment Behavior Index (PBI), which correlates with GDP approximately 75%. This indicator is now used in the company's GDP forecasting. For Q1 2016, the PBI indicates a quarterly GDP growth increase of +0.3%.

Third, non-payments also showed signs of improvement in 2015, falling in total value by -7%. An even clearer indicator is the average value of individual non-payments, which also fell by -19% in 2015 to EUR 17,000. Breaking this down between domestic clients and export clients reveals the impact of the deteriorating external environment. The average value of non-payments to an Italian company by Italian clients fell by -22%; but only by -9% from foreign clients (EUR 21,000). Textiles, machinery and equipment, chemicals and services ranked as the best performing sectors, while construction and agri-food continued to struggle.

By Italian regions, Emilia Romagna recorded the highest increase (+24%) in non-payments, while Trentino Alto Adige the greatest decrease. Non-payment risk remains concentrated in southern Italy and the Islands, representing 30% of the total amount of non-payments. The working capital gap between southern and northern Italian companies continues to increase, with clear pockets of risk in the South. Agri-food, retail and oil distribution in Campania, Calabria and Sicilia experienced a double-digit increase in non-payments in the agri-food, retail and oil distribution sectors in 2015.

The final trend shows that, after seven consecutive years of increases, insolvencies among Italian companies finally decreased -- by -6% to 14,681 cases in 2015. This downward trend should continue

## Press release

(-6% in 2016 and -7% in 2017), reducing the number of insolvent businesses below the threshold of 14,000 to 13,800 cases. Despite this positive news, in 2016 the number of insolvencies will continue to be 2.2 times greater than the 2007 pre-crisis level.

“The drop in insolvencies and improvement of liquidity at company levels reflects the consolidation of the Italian entrepreneurial fabric, which is increasingly focused on nearby export markets and less exposed to the emerging-country slowdown. In 2016 the recovery in productivity should be stronger, both on the manufacturing and the investment sides. Agri-food will still be the leading sector, but the results of automotive, electronics and chemicals will be solid as well, all enhanced by the internal demand. Top brand products (fashion and top level furnishing) will contribute to this positive trend helping companies’ profitability increase after years of costs and staff cuts”, concluded Massimo Reale, risk director at Euler Hermes Italy.

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