

## Press Release

### **Euler Hermes: Italian companies continue to face high domestic non-payments**

*Non-payments report per sector, region*

- The greatly weakened domestic economic situation (expected 2013 GDP: -1.8%) continues to impact negatively on Italian company non-payments
- Non-payment amounts have grown by 14% (first 9 months 2013 vs. 2012)
- The number of defaults is now below pre-crisis levels in more than 50% of Italian regions. Friuli, Giulia, Umbria and Venezia remain above pre-crisis levels.

**ROME 14 NOVEMBER 2013** -- In the first three quarters of 2013 the rate of company non-payments has decreased both in the Italian domestic market (-13%) and the export market (-17%) compared with the same period of 2012. However, their severity (average amounts) indicator has increased +14% in Italy and decreased in foreign markets (-11%). The hardest hit Italian sector is commodities (+59% vs December 2007 pre-crisis) with the petroleum segment. In addition to reduced consumption, the sector is suffering from overproduction and high price volatility.

Compared with pre-crisis levels, there are signs of a partial recovery in terms of a decline in non-payments deriving from:

- the textiles industry (-32%), led by the shoe and leather sectors in emerging country markets;
- the food industry (-24%) which has managed to rationalize wholesale distribution by improving financial flow management, and
- the automotive industry (-22%), where component production chains are characterized by innovation and competitiveness.

According to [Michele Pignotti](#), [Euler Hermes](#) Head of Mediterranean Region, Middle East and Africa (MMEA): "The slowdown in the rate of company non-payments indicates that the period of 'skimming off' the less financially viable companies has ended. The increase in the average non-payment amount mirrors a strongly deteriorated situation which has not spared even the most structured companies in terms of risk management. Non-payments are strongly affected by invoice payment terms between private companies, which very often exceed 100 days in Italy. An improvement in payment habits, coupled with a domestic economy recovery, may provide the right mix to reduce non-payments in 2014."

The Euler Hermes [Non-Payment Report](#) offers quarterly research into the trends of Italian company non-payments, and an in-depth analysis of individual regions and various trade sectors. It is based on a daily monitoring of payments from the [Euler Hermes Italia](#) database of approx. 450,000 companies.

## The Italian economic scenario

Italy is expected to report its second consecutive year of recession (GDP -1.8%), although a gradual stabilization seems to have set in. Starting from the second half of 2013, an improved climate of company confidence will pave the way for a slight recovery, which should allow GDP to grow by +0,3% in 2014, due to a positive trade balance contribution and a tempered reduction in domestic demand. However, the latter will continue to burden the economy with contracted consumer spending, mainly due to a high unemployment rate and deteriorated purchasing power. The situation is exacerbated by investment contraction -- an effect of the lack of credit and weak demand.

“In the short run, the economy will continue to be vulnerable to investors’ changing moods, linked to an excessive debt stock and the risks connected with the weak government coalition. In the medium term, Italy will need to continue implementing structural reform to reduce its imbalance with key international competitors. The labor cost adjustment, which is still insufficient compared with Spanish and Portuguese efforts, is a starting point for recovering competitiveness in international markets”, stated Andrea Pignagnoli, economic analyst for Euler Hermes Italia.

## Company non-payments

Trade transaction risks in the domestic market will remain very high in most sectors of the ‘Made in Italy’ brand throughout 2013. From a sectorial perspective, commodities are suffering as they exceed the 2007 pre-crisis levels and the June 2009 crisis peak in terms of the number of unpaid debts (+59% and +47% respectively). Energy and fuel sectors are most problematic, due to low margins and high liquidity requirements. Signs of a partial recovery are emerging from the textiles sector, where some segments have positioned themselves in the high-end product range and expanded outside Europe. Both economic indicators and analyses of the pre-crisis period show a steadily improving situation. Indicators for the automotive, food, and paper industries are also improving in the domestic market.

“The food industry - an anti-cyclic sector by definition and one of the driving forces of ‘Made in Italy - is showing signs of improved payment dynamics,” said Massimo Reale, risk underwriting director for Euler Hermes Italia. “More prudent cash management is making a positive contribution to sector trends following implementation of Directive 62 on payments terms, and a greater rationalization of distribution networks - especially large-scale distribution and wholesale. Good performances in the paper sector are confirmed by the tissue segment benefitting from the flywheel effect of exports, and by specialty papers which are still important product niches. In the automotive industry, despite a drop in new car registrations, the market for original equipment manufacturers (OEM) and spare car parts holds steady.”

Regionally, at the end of September 2013 the number of non-payments in 14 regions was below 2007 levels. However, concerns increased due to their severity in September 2013 vs the same period in 2012. In Latium this figure doubled due to difficulties in the service and construction sectors. In Friuli and Umbria, the increase exceeded 50% and in Lombardy, the economic engine of Italy, the increase in the last nine months has reached 19%.

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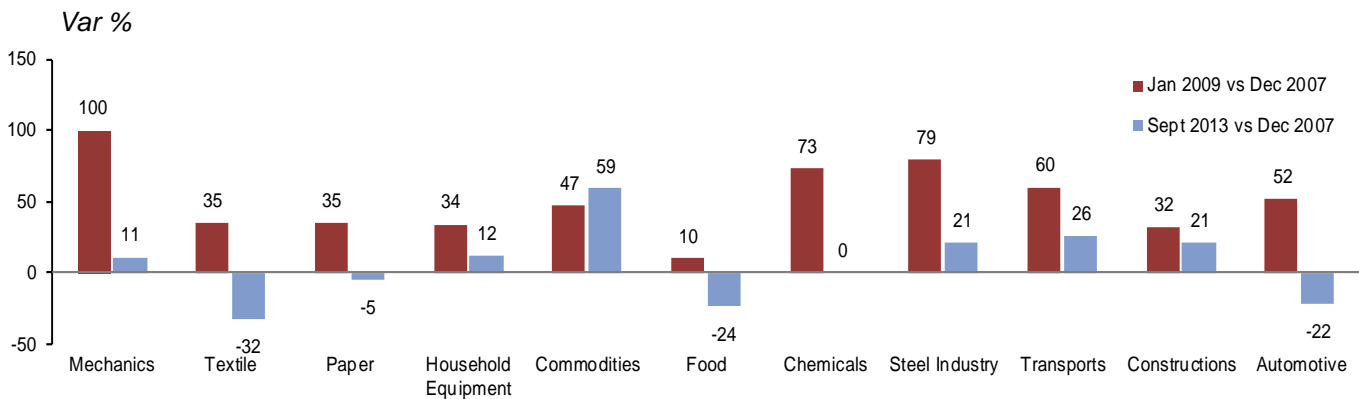
## Italian Companies' Non-payments Trends

(First 9 months of 2013)

	Domestic			Export			
	2011 *	2012 *	2013 **	2011 *	2012 *	2013 **	
<b>Frequency</b>	+ 42%	+15%	- 13%	0	- 3%	- 17%	* Var. y/y -
<b>Severity</b>	+ 17%	-3%	+ 14%	+ 7%	+ 16%	- 11 %	** Var. 9M 2013 vs 9M 2012

Source: Euler Hermes

## Non-payments incidence rate per sector



Note: December 2007 as pre-crisis level, June 2009 as crisis peak.  
 Source: Euler Hermes

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Euler Hermes established trade credit insurance activities in Italy in 2002 with the acquisition of Società Italiana Assicurazione Crediti (SIAC), which was originally established in 1927. With 400 employees based in the Rome headquarters and regional office, Euler Hermes Italy realized a 2012 turnover of approximately € 221 million and today serves more than 4,500 customers across a range of business sectors and sizes. [www.eulerhermes.it](http://www.eulerhermes.it)

**Euler Hermes** is the worldwide leader in credit insurance and one of the leaders in the areas of bonding, guarantees and collections. With 6,000+ employees in over 50 countries, Euler Hermes offers a complete range of services for the management of B-to-B trade receivables and posted a consolidated turnover of €2.4 billion in 2012.

Euler Hermes has developed a credit intelligence network that enables it to analyze the financial stability of 40+ million businesses across the globe. The Group insured worldwide business transactions totaling €770 billion exposure end of December 2012.

Euler Hermes, a company of Allianz, is listed on Euronext Paris. The Group is rated AA- by Standard & Poor's.

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