

## Press Release

### **Euler Hermes: Accelerated risk of non-payment for Italian businesses in the first half of 2013**

- The prolonged recession in Italy (2013 GDP expected to contract by -1.8%) continues to negatively influence the risk of non-payment for Italian companies
- In the first half-year of 2013, the severity (average amounts) of domestic non-payments accelerated by +13% compared to the first half of 2012
- Commodities are the most affected industry -- particularly energy, iron and steel - plagued by an adverse economic environment (low demand and orders), overcapacity and price volatility
- The auto industry is second most-affected, weakened by a sharp fall in demand
- Textiles partially recovered (non-payment frequency -45% vs 1H 2012 in export markets). Some regions established themselves in the designer or upper price ranges and found growth outside Europe
- Lombardy, Umbria and Valle d'Aosta regions experienced both increased frequency and severity of the risk of non-payment. In Lazio, the severity doubled.

**ROME – 1 AUGUST 2013** -- Non-payment of Italian companies showed a slight year-on-year drop in frequency both domestically (-10%) and for exports (-15%) in the first half of 2013, but recorded a sharp increase in severity (+13%) domestically, while remaining stable for export markets (-1%).

[Michele Pignotti](#), [Euler Hermes](#) head of Mediterranean countries, Africa and the Middle East, said “The slight deceleration in the incidence of non-payments mirrors the domestic economic slowdown, as companies also showed signs of a standstill in business transactions. The rise in the average amount delayed reflects the crisis increasingly affecting larger companies, as well as a prolonged deterioration in the overall business climate. Exports remain the key to business development, but in growth markets and with sound and sustainable partners.”

The Euler Hermes [Report on Non-Payments](#) is a quarterly survey of payment trends among Italian businesses, including a detailed analysis of individual regions and product sectors. The report is based on the daily monitoring of payments recorded in the [Euler Hermes Italy](#) database of 450,000 companies.

#### **The Italian economic scenario**

Italy ranks second among manufacturing countries in Europe, after Germany. However the two-year recession (-2.4% in 2012 and -1.8% in 2013), combined with a higher risk of credit crunch, drove the sharp increase in the risk of non-payment. A 7% year-on-year increase in insolvencies is forecast for 2013, to approximately 13,300 cases -- a record level not seen since the mid-1990s. The main 2013 growth drivers for Italy will be foreign demand, as Italy's trade surplus will remain largely driven by non-EU economies.

“The recovery remains forecast for early 2014,” says Andrea Pignagnoli, economic analyst for Euler Hermes Italy. “We project a slightly positive +0.3% growth next year. Yet, possibly as soon as late 2013, a slight recovery in domestic demand, a gradual improvement in credit conditions and more vibrant demand from Italian exports should help reduce payment risks borne by businesses. As a consequence, we expect the number of insolvencies to stabilize in 2014.”

### Non-payments by businesses

Compared to the same period in 2012, the first half of 2013 shows an increased level on non-payment risk in most sectors analyzed. Commodities, characterized by low margins and high working capital needs, suffered most (frequency +15%, severity +49%), led by the energy and fuel sectors. The steel industry, with an overcapacity caused by a drop in downstream industries’ production and orders, grew in frequency and severity (24% and 64% respectively) in the first six months of 2013. So too did the auto industry, weakened by the sharp decline in domestic and foreign demand. Textiles showed signs of partial recovery, with some regions establishing themselves in the designer or upper price ranges and finding growth outside Europe. A slight improvement in the first half of 2013 was also registered in the food and paper industries. On the regional front, in the first six months non-payment risk severity doubled in Lazio and grew by double digits in Friuli, Lombardy, Trentino and Umbria.

“The risk levels for business transactions in the domestic market will remain very high throughout 2013 in most sectors,” said Massimo Reale, Risk Underwriting director, Euler Hermes Italy. “Small and medium-sized companies, already undercapitalized, continue to face financial difficulties due mainly to the lack of liquidity on two fronts: the difficulty of access to credit from banks, and payment delays by large companies for goods and services already provided. Recovery signals can be glimpsed in the textile sector focusing on the high-end range for non-EU exports.”

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## Non-Payment Trends among Italian Businesses

(1<sup>st</sup> half 2013)

	Domestic			Export			
	2011 *	2012 *	2013 **	2011 *	2012 *	2013 **	
<b>Frequency</b>	+ 42%	+15%	- 10%	0	- 3%	- 15%	* Variation y/y - ** Variation 1st half 2013 vs 1st half 2012
<b>Severity</b>	+ 17%	-3%	+ 13%	+ 7%	+ 16%	- 1 %	

Frequency: number of non-payments  
 Severity: average amount of non-payments

Source: Euler Hermes Italia

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**Euler Hermes Italy**

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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