

## **Italian business non-payments: A gradual domestic recovery, export market average rises to € 23,000 in 2016**

- Days sales outstanding (DSO) remain high - 86 days - although down by 2 days
- The total amount of past dues dropped by 25%
- The average value of domestic non-payments decreased by 13% to €14,000, while increasing abroad by 8% to € 23,000
- Business insolvencies declined by 9%; however the 13,472 cases are twice the pre-crisis level. An additional 5% decrease is expected in 2017.

**MILAN - 1 MARCH 2017** - [Euler Hermes](#), the worldwide leader in trade credit insurance, presented its 8<sup>th</sup> annual non-payments report for Italian companies, an extensive analysis carried out in each region and province. The study includes a detailed review of several trade sectors based on daily monitoring of non-payments among over 450,000 companies.

“In 2016, Italy reported 1% GDP growth and continued its slow recovery, showing resilience to political and economic factors domestically and abroad,” said Ludovic Subran, chief economist at Euler Hermes. “In 2017 consumer spending should grow slightly slower than in 2016 (+1%), while exports should accelerate (+2.2%) in volume terms. This will translate into EUR20bn of additional export gains, twice the 2016 amount. Stimulus measures proposed by President Trump should allow for €.4bn in additional exports to the U.S., the second highest European exporter gain after Germany. Italian GDP growth should remain moderate in 2018 (+0.8%) -- half that of the Eurozone’s growth -- although uncertainty and a confidence shock could cost Italian growth -0.3pp in 2017.”

Italian companies’ state of health in 2016 turned towards a moderate recovery. As a result, the payment trend improved for all indicators analyzed in the domestic market. DSO dropped below 90, achieving 86 days in 2016 with a two-day decrease. Across Europe however, only Greece scored worse. Another improving indicator is overdue payables, down by 25%. Non-payments in Italy decreased both in frequency (-6%) and severity (-13%) compared to 2015. The value of an average domestic non-payment in Italy is €14,000. Business insolvencies moderated in 2016 for the second consecutive year, down - 9%, but remain more than twice that of 2007 pre-crisis levels.

“Throughout 2016, the lower cost of bank borrowings created by accommodative ECB monetary policy provided significant respite to companies who were able to take advantage of it when selecting investments for business continuity,” said Luca Burrafato, head of Mediterranean, Middle East and Africa Region for Euler Hermes. “In addition, lower oil prices boosted companies’ profitability. The payment improvement is a successful combination of more sound Italian economic indicators and a parallel improvement in operating cashflows – creating a positive impact on overall business solvability.”

The improving non-payments trend is reflected in most Italian regions, except Latium and Puglia.

Trade sectors also demonstrated a mainly favorable trend, with the exceptions of

- the textile sector: suffering competition in the low-cost range
- the automotive sector: still experiencing spare production capacity though the trend is improving, and
- the transport industry: with historic difficulties in the road transport sector, where Italian companies face dumping practices from foreign competitors.

In export markets, non-payment indicators are slightly increasing in frequency (+2%) and severity (+8%). 2016 was a very complex year for emerging markets, with an overall slowdown among the main destinations of the Made-in-Italy brand. Textiles and clothing, electronics and construction sectors suffered the most abroad. The average value of non-payments to Italian companies rose to €23,000. For the first time since 2012 the export insolvency index (-2%) points to more risks abroad than domestically. Within the top 10 export markets, business insolvencies are expected to increase in Poland (+3%), the U.S. (+1%), UK (+5%), Turkey (+5%) and China (+10%) in 2017.

## Press release

“Proximity export is one of the main 2017 business strategies,” noted Massimo Reale, Risk director at Euler Hermes Italia. “Almost all sectors are recording an increase in orders from foreign buyers: the Made-in-Italy brand is on the rise, including sectors that registered the main negative signs in recent years (furniture, shoes). A greater number of supply chains should confirm their positive growth paths (ceramics, food, machinery and equipment) due to internal consumption which is basically positive. Insolvencies should benefit from these overall favorable trends, and are expected to decline further (-5%) due also to the overall resilience of national production.”

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