



P R E S S R E L E A S E

Bucharest, 11 June 2013

**6,381 ROMANIAN COMPANIES BECAME INSOLVENT  
IN THE FIRST 3 MONTHS OF 2013, WITH 10% LESS COMPARED TO THE  
SAME PERIOD OF LAST YEAR**

Coface Romania conducted a new study on the Romanian insolvencies' evolution, considering the newly opened cases registered within the Bulletin of Insolvency Proceedings for January - March 2013

Coface's analysis, based on the data provided by the National Trade Register Office, indicates that the first quarter of this year registered 6,381 companies in various stages of insolvency's proceedings, with 10% less compared to the same period of 2012, when 7,139 insolvencies were opened.

We would like to mention the general decrease of the insolvencies' volume regarding all sectors, registered in the first quarter of this year compared to the same period of last year.

**Construction, HORECA and Metallurgy were the most affected sectors in relation to the number of active companies**

For the third consecutive year, the first ten sectors registering the highest number of insolvent companies remain unchanged and the only modifications are related to the order in the top list, but with variations of one, maximum two positions.

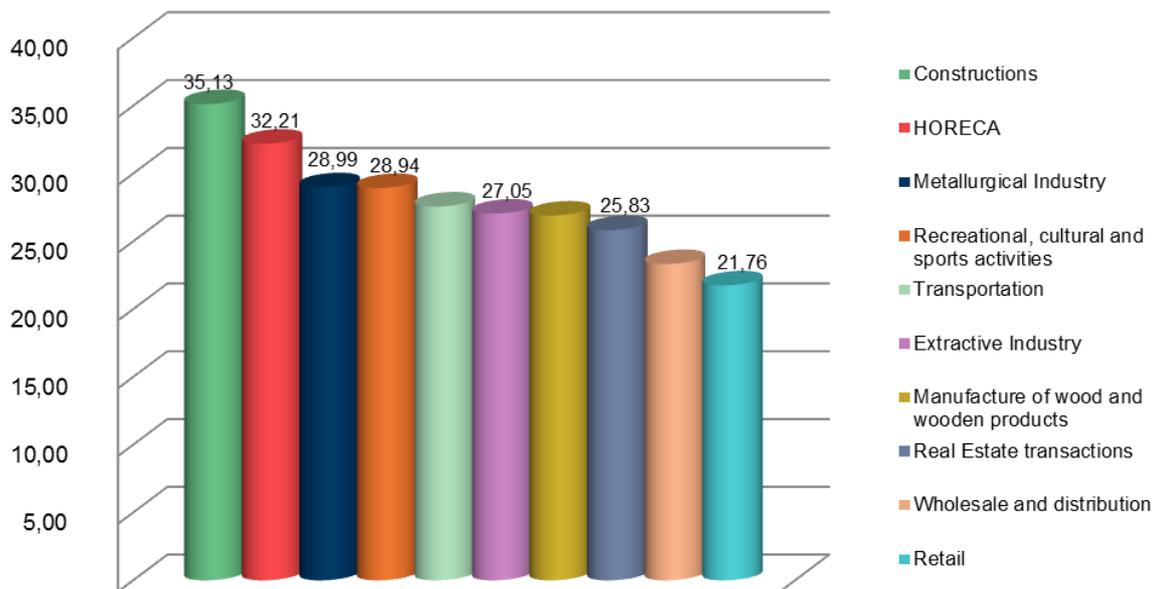
By analyzing the evolution of insolvency cases over the last 5 years, we noticed a consolidating trend regarding the volumes concentration degree in the first 3, respectively 5 sectors. Thus, the weight of the first 3 sectors which registered most of the insolvency cases (in absolute figures) varied in the last 5 years between 50% - 54%, and the first 5 sectors between 65% - 70%.

These shares are not random and they are determined by structural factors such as sectoral distribution of all active firms nationwide.

The top 5 sectors that registered the highest number of insolvencies covers a similar proportion in terms of total active companies. Given this structural factor, it is important to analyze the number of insolvencies compared to all active companies in the sector. The top 10 sectors that registered the highest values for this indicator are listed in the chart below.

Construction, HORECA and Metallurgy are the sectors with the highest level of insolvencies opened in the first quarter of this year in relation to the number of active companies. We should mention that the same sectors were included in the 2012 top 5 insolvent sectors, which indicates the persistence of structural problems.

## TOP 10 INDUSTRIES IN TERMS OF NUMBER OF INSOLVENCIES IN Q1 2013 related to the total no. of active companies



Source: BPI, MFP, Coface data

### The number of insolvent companies with a turnover higher than 1 MEUR is 2.5 times higher than in the same period of the previous year

On the background of financing restrictions that have persisted over the last 3 - 4 years and have had a significant impact for SMEs, the large and very large companies have played an important role of "commercial banks" for their clients, being able to accept extended deadlines. Thus, the SMEs have transferred lately a significant part of their bank credit to a commercial one (supplier's credit), in order to strength the partnerships between private companies, that began to have a significant financial shape, not just a commercial one.

In a study conducted earlier this year, Coface has noticed the multiple problems faced generally by the SMEs sector and especially by the micro-enterprises. We consider that this risk was adversely spread in the economy affecting large and very large companies.

On the background of eroded sustainability and self-financing capacity due to the financial crisis of the past three years, alongside the deterioration of the payment discipline in the economy, the large and very large companies began to show a higher degree of sensitivity in relation to external and internal shocks with increasing liquidity pressures.

For the first quarter of this year, 239 insolvent companies (with a turnover higher than 1 MEUR) were registered, 2.5 times higher compared to the same period of last year.

## **The impact of structural changes regarding the interrelation of the private sector on the banking sector**

We considered two scenarios:

- A. Given that the large and very large companies did not commercially credit (through extended payment terms) on its own resources (equity, financial reserves or working capital surplus) the SME sector and they actually used banking financing, then all this dynamic will ultimately have a negative effect on the sustainability of the banking sector by increasing non-performing loans. Thus, the banking sector has „disguisedly” credited the SME sector by financing large and very large companies, which in turn have used these resources in order to commercially finance the micro-enterprises and the SMEs. The amplitude and velocity of the impact will be determined by the financing option of large and very large companies and their capital structure.
- B. Given that large and very large companies commercially credited the SMEs sector by using its own resources (working capital surplus, reinvested earnings, working capital large enough to cover short-term financing needs), the question is now related to the sustainability of these measures: until when large and very large companies will accept/ succeed to be "commercial banks" for their clients?

The data shows us that the effect of the negative shocks spread is now faster, but also considers some potential negative consequences of the backers:

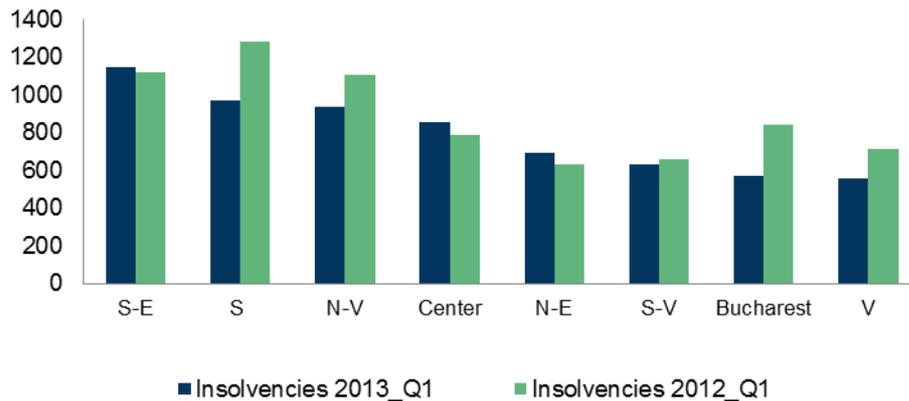
- Risks of the banking sector to admit increasing non-performing loans for medium, large and very large companies
- Limited capacity of the large companies to support commercial credit for small businesses, which are already facing low perspectives of alternative funding

### **SE, S and NW frame half of all the insolvencies of the first quarter of 2013**

The territorial distribution of insolvency cases for the first quarter of this year did not suffer significant changes from the existing situation of the same period of 2012. Thus, the most affected three areas are SE, S, and NW, concentrating approximately half of the total insolvencies registered in the analyzed period.

The only areas where the number of 2013 insolvencies increased, compared to the same period of the previous year are: Center, NE and SE.

## Geographical distribution of insolvent companies within Q1 2013



"From Coface's perspective, 2013 will be the year of high and very high insolvencies and the fact that they have increased 2.5 times compared to the same period of last year is a certainty. We should be worrying if we take into consideration the economic and social impact. Many medium and large companies that have tried to expand in the past year are facing nowadays sustainability problems due to the fact that have become commercial banks to their clients. There will be significant number of insolvencies in 2013, but what will matter most is the magnitude of those companies.", says Constantin Coman, Country Manager, Coface Romania.

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### **About Coface**

The Coface Group, a worldwide leader in credit insurance, offers companies around the globe solutions to protect them against the risk of financial default of their clients, both on the domestic market and for export.

In 2012, the Group posted a consolidated turnover of 1.6 BEUR. 4,400 staff in 66 countries provides a local service worldwide. Each quarter, Coface publishes its assessments of country risk for 158 countries, based on its unique knowledge of companies' payment behavior and on the expertise of its 350 underwriters located close to clients and their debtors.

In France, Coface manages export public guarantees on behalf of the French state. Coface is a subsidiary of Natixis, corporate, investment management and specialized financial services arm of Groupe BPCE.