

Bucharest, 12 November 2014

NUMBER OF INSOLVENCIES IN ROMANIA CONTINUES TO DECLINE IN Q3 2014

Coface's analysis, based on the data provided by the National Trade Register Office, indicates that during the first nine months of this year 15.575 new insolvencies were registered, down by 17% compared to the same period of 2013 (when 18.735 new insolvencies were opened). The contraction registered at the end of September is in line with the forecasts announced by Coface at the end of the first semester, ie a reduction of 15% of the insolvencies for the entire year.

Sectorial and geographical distribution on the insolvent companies

From a **sectorial distribution** point of view, Constructions, Textiles, HORECA, Mining and Quarrying Industry and Transports sectors are still within Top 5 ranks by considering the number of insolvencies reported at 1,000 active companies. Although the following sectors "Production & supply of electric and thermal energy, gas & water" (first position) and "Sewage and refuse disposal; sanitation and similar activities" (position 6) are included in the top, their position is due to a positive base effect, among a small number of new registered companies.

The **geographical distribution** of the insolvent enterprises in the first nine months of 2014 has undergone several changes vs. the same period of last year, but it is maintaining the same trend observed in the first semester. Thus, Bucharest remains the only region where insolvencies increased in the analyzed period (+24%), while the rest of the regions have registered a decrease of this indicator.

Evolution in time of insolvent companies

To deepen the understanding of the structural causes that triggered insolvency procedures during the first nine months of this year, Coface appraised the financial declarations that were reported by the insolvent companies for 2008 - 2013 activity. A list of most important conclusions following this analysis, are reported bellow:

- The majority of an additional debt were attracted to cover loss and receivables' investment, while the book value of the fixed assets remained constant;
- The increasing average DSO indicates an inadequate credit risk policy, the average DSO increasing with 81 days during the analyzed period. This has caused a slower supplier payment, the average payment term increasing with 122 days.

In the payment discipline can be seen improvements in the analyzed period, the figures indicating a reduction in terms of both value and number of defaulted payment instruments vs. the same period of last year. In the same time, the number of insolvent companies with a

turnover above 1 MEUR dropped by 21%, signaling a rebound of a negative contagious effect over large companies.

Which is the financial impact of new insolvencies in the period Q1-Q3?

Most probably the message carried out to suppliers during 2009-2013 by the enterprises filing insolvent companies in the period Q1-Q3 was that they cannot pay their invoices because of long collection time on their side as well. This is a true fact but it represents only one of reasons for the payment indiscipline. Using the financial resources coming from late supplier payment for long term investment, proved later to be unprofitable, was, to a similar extent, a cause to payment indiscipline.

Coface has compiled the „invoice” caused by the insolvent companies during the first nine months of 2014, in order to see the list of the payers and the impact for each category. The final figures are the following:

- Private suppliers: 4.7 BRON
- Banks: 3.7 BRON
- Shareholders: 2 BRON
- Government Fiscal Authorities (the state): 1 BRON

“The decrease in the number of insolvencies is registered in the context of a high volume of insolvencies during the last 5 years, especially during the 4th Quarter of 2013.

Thus, this dynamic is explained rather against a base effect, among the comparison with a record volume of new insolvencies registered in the same period last year. The value of payment instruments rejected in the first nine months of this year also registered a contraction of 22%, compared to the same period, last year. The dynamics is particularly deed to a decrease of the volume of payment instruments used among diminishing the trust between business partners.

The revival of the private sector is setting in, even though Romania continues to significantly lack in entrepreneurial capabilities, impacting the registration of new profitable businesses. Thus, even if the number of companies that have ceased the activity in the first nine months of this year is down by 17% compared to the same period of the previous year; the number of the new companies registered in the same period presented a contraction even higher, respectively of 22%.” concluded Constantin Coman, Country Manager, Coface Romania.



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

MEDIA CONTACT:

Emilia MUSCALU - T. +40/21/231 60 20 - emilia.muscalu@coface.com

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 2013, the Group, supported by its 4,440 staff, posted a consolidated turnover of €1.440 billion. Present directly or indirectly in 98 countries, it secures transactions of over 37,000 companies in more than 200 countries. Each quarter, Coface publishes its assessments of country risk for 160 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.

www.coface.com

Coface SA. is listed on Euronext Paris – Compartment A
ISIN: FR0010667147 / Ticker: COFA



APPENDIX

Top 10 sectors in terms of number of insolvency first 9 months of 2014, per 1000 active companies

