CORPORATE FINANCING AND BUSINESS DEMOGRAPHY IN ITALY

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ABSTRACT

Recently, world financial markets were in the midst of a credit crisis of historic breadth and depth. The crisis had significant impact on the corporate sector. Many firms encountered difficulties surviving and adopting correct strategies. This research provides a picture of Italian industrial and service firms in the period 2007-2010. We highlight principal economic characteristics and focus attention on corporate financing. Second, the paper studies business demography and describes the survival of the Italian corporate system. The research uses data published by the Bank of Italy concerning a survey on Italian Industrial and Service Firms in 201. The data is an elaboration of data published by Infocamere in the period 1995-2009. The study uses a multi-disciplinary approach.

JEL: G01, G30, J11

KEYWORDS: Italian Firms, Corporate Financing, Business Demography

INTRODUCTION

Italian firms were seriously affected by the financial crisis of 2007. Different types of businesses felt the effects of the crisis. Their survival has been questioned. The resulting excessive mortality of firms is a serious risk for the Italian economy.

This research studies Italian firms from two points of view. Firstly, it provides a picture of Italian industrial and service firms. We highlight the principal economic characteristics (labor, capital and output, ownership, organization and governance) and focus attention on some aspects of corporate financing (bank debt). Secondly, it examines the growth of Italian firms by studying the quantitative change undergone by the Italian industry over the last fifteen years. This approach provides a method for the evaluation of services and results a crucial tool for supporting political decisions.

The Bank of Italy publishes data concernig a survey on Italian Industrial and Service Firms in 2010. The sample consists of 2,809 industrial firms, 504 construction companies and 1,128 non-financial private service firms. Data are collected by Infocamere and present the demographic structure of firms from 1995 to 2010. From this, it is possible to have a complete vision of Italian firm's demography and of their survival.

The remainder of the paper is organized as follows. The first section provides a review of the dynamics of Italian firms, the second section describes data and methodology used and the following section presents the empirical results. The last Section concludes the paper.

LITERATURE REVIEW

The first part of the research focuses on the period 2007-2010. This period is characterized by a deep financial crisis. This crisis is of such proportions that even important initiatives to face the problem have so far been insufficient to resolve it. An analysis of phases and causes of this "colossal failure" that has put "the entire financial system at risk" (Woellert and Kopecki, 2008) is fundamental to understand the current situation of Italian firms and their survival.

The financial crisis originated in the segment of subprime mortgage and structured products (Greenlaw et al., 2008). By the end of 2006, growth in house prices in the United States (US) stopped abruptly reflecting the rise in official interest rates and a slowing economy. At the beginning of 2007, subprime mortgages started to show high rates of default following the increase in debt service (Chomsisengphet and Pennington-Cross, 2006; Doms et al., 2007). This financial crisis represented the worst crisis since the Great Depression of the 1930s (Sinn, 2009). The crisis contributed to the failure of many companies, led to a substantial decline in consumer wealth, produced enormous financial commitments incurred by governments, and resulted in a strong decline in economic activity. The severity of the crises became clear with the bankruptcy of Lehman Brothers and the near-bankruptcy of American International Group in September 2008. Following these events, financial institutions in the US and around the world lost large portions of their value and some could only be saved from bankruptcy by government interventions.

Many causes of the crisis have been proposed. According to some authors, a fundamental cause for this failure regards the often inadequate model of risk management (Rajun et al., 2008). We focus on some prominent explanations: the US housing bubble, the subprime crisis, the deregulation of financial markets in recent decades and the consequent creation of many complex financial innovations.

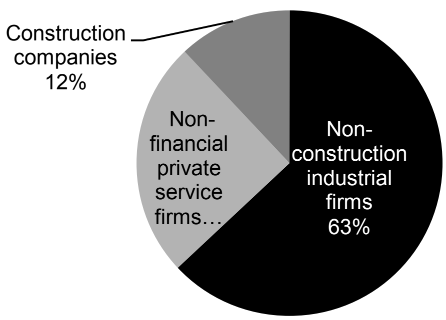
The years prior to the outbreak of the crisis were characterized by a strong increase in US housing prices. This housing bubble was related to increasing financial incentives for banks to engage in mortgage loans. The decrease in the federal funds rate from the year 2000 onwards coincided with larger profit margins for banks on mortgages. As a result, housing prices peaked in 2006; their value had roughly doubled over the preceding decade. This boom period in the housing market was most importantly characterized by a strong increase in the amount of subprime mortgages. Secondly, between 2004 and 2007, the federal funds rate started to steadily increase again. This trend brought increasing expenses for borrowers holding adjustable-rate mortgages. The combination of an increasing federal funds rate with the growing share of subprime mortgages led to a severe increase in the number of homeowners defaulting on mortgage payments as well an increase in the number of property foreclosures. Increasing insecurity with regard to the credibility of institutions has made banks more reluctant to lend, leading to a tightening of their lending requirements. Finally, government regulations did not prevent banks from providing larger shares of subprime mortgages. In 2004, the loosening of the net capital rule made banks able to take on larger proportions of debt. The increasing share of subprime mortgages was pooled into new financial products, selling them off to investors as CDOs (collateralized debt obligation) and MBS (mortgage-backed securities) (Bolton and Freixas, 2000; Mayer and Pence, 2008). The relatively safe credit ratings of these products contributed to an increasing demand of investors for mortgage-based derivatives.

According to forecasts by Bank of Italy, in 2010, the Italian economy returned to modest growth of 1.3%, close to the average for the ten years before the recession, prolonging the country's lag with respect to the euro area as a whole. From the start of the cyclical recovery in the summer of 2009, Gross Domestic Product (GDP) has recouped just 2 of the 7 percentage points lost during the financial crisis (Bank of Italy, 2011a). The slow growth of the Italian economy in 2010 was ascribable to both industry and services, particularly services provided by general government, which were subject to tight budget constraints. Data now indicate the recovery will continue at a slow pace in the coming months. The recovery in GDP in 2010 was sustained by growth in value added in industry excluding construction (4.8%) and, more moderately, in services (1.0%). In manufacturing, the largest value added increase was recorded in base metals and fabricated metal products, mechanical engineering products and electrical and electronic machinery. In the traditional sectors (textiles and clothing, hides and leather, furniture) value added recovered only a very small part of the decline recorded during the recession. The growth in value added in the service sector was modest, partly owing to the stagnation in general government activity, including healthcare and education. These sectors, which were affected by budget restrictions, accounted for more than half the gap with respect to the growth of Germany's service sector (1.8% and 3.5%, respectively, since the start of the recovery). There is a gap with respect to growth rates of the other main euro-area countries that reflects the slowdown in industry under way since the last months of 2010.

DATA AND METHODOLOGY

Annual data concerning the principal economic, financial and demographic characteristics of Italian firms in 2010 are published by the Bank of Italy and by Infocamere (several years). The research begins by examining the main findings of the Bank of Italy Survey of Industrial and Service Firms conducted in the early months of 2010 (Bank of Italy, 2011b). Our sample is composed of only Italian industrial and service firms and, from the structural point of view, it consists of 2,809 non-construction industrial firms, 1,128 non-financial private service firms and 504 construction companies (Figure 1).

Figure 1: Sample of Firms (Values In Percent)



This figure shows the percentage distribution of sample of firms: the non-construction industrial firms representing the 63%, the non-financial private service firms the 25% and the construction companies the 12%.

In the second part, the study focuses on the demographic performance of Italian firms by activity sector from 1995 to 2010. The following activity sectors are observed: agriculture; manufacturing; construction; commerce; tourism; financial intermediation and real estate, renting and research. From the methodological point of view, the research uses a multi-disciplinary approach and is developed through a demographic investigation regarding the Italian industrial trends from 1995-2010. Firstly this study shows a picture of Italian industrial and service firms, highlighting the principal differences in economic and financial characteristics such as labor, capital and output, ownership, organization, governance and corporate financing. Secondly it observes the impact of the financial crisis on the Italian corporate system with regards to birth and mortality rates of firms to investigate by a demographic approach the firms structure during the period examined. Birth and mortality rates are measured as follows:

$$Birth\ Rate = \frac{Firms(t)_{birth}}{Firms(t)_{actived}} * 1000; \quad Mortality\ rate = \frac{Firms(t)_{closed}}{Firms(t)_{actived}} * 1000 \qquad (1)$$

where (t) is the considered period.

RESULTS

We examine characteristics of industrial and service firms regards the following aspects: employment, turnover and operating results, investment and capacity utilization, ownership, organization and governance, aspects of corporate financing. According to the Bank of Italy survey, in 2010, average employment continued to fall and declined by 1.4%. This was slower than in the previous year, when it fell by 1.9%. The largest fall occurred in industry and amounted to 2.2% (in 2007 there was a growth), while the fall in services was 0.6% (in the period 2007-2008 there was growth). Furthermore the contraction in employment was especially pronounced in the textile, clothing and footwear sectors (-1.0% in 2007 and -3.3% in 2010), where it had begun before the crisis. In 2010, this contraction was sizable in the basic metals and engineering sector (-2.6%). In geographical terms, in the period 2007-2010, the contraction employment in industry occurred in the North-West (Table 1).

Table 1: Change in Average Workforce (Values in Percent)

	Industrial firms				Service firms			
Area of employment	***2007***	***2008***	***2009***	***2010***	***2007***	***2008***	***2009***	***2010***
North-West	-0.1	-1.3	-2.5	-3.1	1.8	0.7	-2.3	-1.5
North-East	0.9	0.1	-2.4	-1.6	3.1	1.7	-1.1	-0.4
Centre	0.2	0.3	-2.5	-1.6	3.1	0.3	0.0	0.2
South and Islands	0.3	-2.3	-3.0	-1.4	1.3	1.0	-0.6	0.7
Branch of activity								
Total manufacturing	0.4	-0.7	-2.7	-2.4				
Textiles, clothing, leather, footwear	-1.0	-2.6	-3.0	-3.3				
Chemicals, rubber, plastics	0.2	-0.6	-2.9	-1.2				
Metals and Engineering	1.4	0.3	-2.6	-2.6				
Other manufacturing	-0.7	-1.7	-2.7	-1.9				
Energy and extraction	-2.0	-1.3	-0.8	-0.2				
Trade, hotels, restaurants					2.4	1.2	-2.3	0.2
Transport, storage, communication					1.4	-0.7	-1.1	-1.0
Other h.hold and business services					2.7	2.1	0.3	-1.1
Number of employees								
20 – 49	-0.5	-1.6	-2.5	-2.2	1.2	-2.0	-4.9	-2.3
50 – 199	0.6	-0.8	-2.7	-1.8	1.6	1.7	-0.4	0.2
200 – 499	0.9	0.3	-2.4	-2.5	3.7	3.8	0.7	-1.0
500 and over	0.5	-0.3	-2.5	-2.4	2.9	1.3	0.0	0.1
Total	*0.3*	*-0.7*	*-2.5*	*-2.2*	*2.3*	*0.9*	*-1.2*	*-0.6*

This table shows the change in average workforce in industrial and service Italian firms. Eata are distinct in the area of employment, branch of activity and number of employees in the period 2007-2010.

In 2010, the turnover of private-sector firms rose by 1.1% at constant prices, recovering only a small part of the large fall of 7.5% recorded in 2009. The increase was the result of a 3.5% rise in industry and of a -1.1% fall in services. In industry better-than-average improvements were recorded by firms in the North (4.9%) and firms in the basic metals and engineering sector (7.6%). In the service sector sales contracted in all the macro regions and size classes of firms, except for those with between 200 and 499 workers. At the sectoral level there was a small increase in sales of 2.2% by firms providing services to enterprises and households (Table 2).

The proportion of firms posting a profit rose from 53% in 2009 to 57.8% in 2010. The improvement was greatest for industrial firms (for which the proportion rose from 52% to 60% overall), especially the larger ones. In services the fall in the proportion of loss-making firms to 27.4% was accompanied by an increase of just one percentage point to 55.3% in the proportion of those making a profit. In general, the results are worse compared with the crisis period 2007-2008.

Gross fixed investment rose by 3.5% compared with 2009, thus making up about a quarter of the fall recorded in that year. The result derived from the modest improvement of 0.7% in industry (5.6% in 2007) and the growth of 6.8% (-0.1 in 2007) recorded by the service sector. Investment by industrial firms with less than 50 workers recorded a strong recovery of 11.8% (6.0% in 2007), while that by firms with 500 or more workers declined further, by 4.7% . The investment grew by 3% in the North (more than 4% in the North-East), compared to contractions of 3% in the Centre and the South and Islands. The largest sectoral increase in investment (18.6%) was recorded by the textile, clothing and leather sector, which had suffered a contraction of 40% in the two previous years taken together. The chemical, rubber and plastic industries saw a smaller increase of 6%, while investment by firms in the basic metals and engineering sector declined further, by nearly 5%, after falling by 23% in 2009. In service firms the recovery in investment was basically common to every type of firm but was strongest for firms with their head office in the North-West or the Centre and those with 50 or more workers. Transport and telecommunications was the service sector with the largest increase in investment (9.4%), while the other service sectors achieved only a modest recovery (Table 3).

Table 2: Annual Change in Turnover (Values in Percent)

	Industrial firms				Service firms			
Geographical area	***2007***	***2008***	***2009***	***2010***	***2007***	***2008***	***2009***	***2010***
North-West	2.0	-2.7	-11.1	4.8	1.2	-1.6	-5.4	-0.7
North-East	2.7	-1.1	-12.8	5.1	2.2	-1.3	-4.1	-0.4
Centre	-3.1	-5.3	-8.1	-0.4	2.1	-2.3	-3.8	-1.8
South and Islands	0.8	-2.0	-6.3	0.9	2.1	-2.7	-2.5	-3.8
Branch of activity								
Total manufacturing	2.0	-2.5	-11.8	3.6				
Textiles, cloth., leather, footwear	0.3	-6.0	-14.2	3.9				
Chemicals, rubber, plastics	-0.7	-3.8	-6.5	-1.7				
Engineering	5.0	-1.1	-17.0	7.6				
Other manufacturing	0.7	-2.3	-7.3	1.6				
Energy and extraction	-4.3	-4.7	-3.6	3.2				
Trade, hotels, restaurants					1.4	-2.4	-3.4	-1.5
Transport, storage, communication					1.1	-1.9	-5.2	-2.2
Other h.hold and business services					3.8	0.9	-9.4	2.2
Number of employees								
20 – 49	2.5	-3.7	-9.1	3.2	1.4	-3.1	-6.4	-1.9
50 – 199	2.2	-2.0	-11.4	4.8	2.4	-1.4	-5.0	-1.6
200 – 499	0.3	-2.1	-10.5	5.3	1.5	-0.1	-3.7	0.6
500 and over	0.2	-3.3	-10.8	1.8	1.8	-1.3	-2.8	-1.1
Total	*1.1*	*-2.8*	*-10.5*	*3.5*	*1.4*	*-2.3*	*-4.6*	*-1.1*

This table shows the change in turnover in industrial and service Italian firms. Data are distinct in geographical area, branch of activity and number of employees in the period 2007-2010.

Table 3: Annual Change in Investment (Values in Percent)

	Industrial firms				Service firms			
Geographical area	***2007***	***2008***	***2009***	***2010***	***2007***	***2008***	***2009***	***2010***
North-West	3.8	3.2	-18.4	0.5	-4.9	-4.7	-9.6	12.9
North-East	8.1	-3.2	-15.1	5.5	1.1	2.5	-14.0	1.2
Centre	7.9	-0.6	-12.9	-2.2	7.3	-5.6	-10.0	5.3
South and Islands	3.2	-1.1	-14.8	-4.9	-0.1	-1.3	-8.0	-0.1
Branch of activity								
Total manufacturing	3.9	0.1	-21.1	0.4				
Textiles, clothing, leather, footwear	2.8	-4.2	-36.0	18.6				
Chemicals, rubber, plastics	0.9	2.5	-17.2	6.0				
Engineering	6.3	5.3	-23.0	-4.8				
Other manufacturing	2.5	-8.8	-16.3	2.7				
Energy and extraction	12.2	1.3	-4.8	1.3				
Trade, hotels, restaurants					-2.9	-0.2	-20.1	3.5
Transport, storage, communication					1.7	-4.4	-4.1	9.4
Other h.hold and business services					0.6	-5.1	-14.6	1.3
Number of employees								
20 – 49	6.0	-1.3	-18.3	11.8	0.9	2.1	-13.0	3.0
50 – 199	6.0	-4.5	-18.5	1.2	-4.2	-4.0	-15.6	8.7
200 – 499	2.0	3.0	-13.3	1.5	-4.2	1.5	-13.0	6.3
500 and over	6.8	3.0	-14.5	-4.7	2.5	-5.8	-5.6	7.5
Total	*5.6*	*0.4*	*-16.0*	*0.7*	*-0.1*	*-3.5*	*-10.4*	*6.8*

This table shows the change in investment in industrial and service Italian firms. Particularly, data are distinct in geographical area, branch of activity and number of employees in the period 2007-2010.

Regarding ownership concentration, stock exchange listing, and controlling shareholders, the survey collects information of industrial firms with 50 employees and over. In industrial firms with 50 or more workers about 70% of the capital was owned by the main shareholder on average. In about 55% of such firms the shares were held by a company (a holding or a sub-holding company or a nonfinancial corporation). Industrial firms continued to have very limited access to the capital markets. No more than 1.7% of such firms are listed on the stock exchange and most of these are of above-average size. In line with the previous year, transfers of control involved about 4% of industrial firms with 50 or more workers in 2010. Nearly 70% of the transfers consisted of shifts in shareholdings between companies belonging to the same group or between relatives. Finally, the research provides a more detailed analysis on some aspects of firms fund-raising exclusively for firms with 50 or more workers.

More firms reported an increase in self-financing than a fall (in industry respectively 63.5% and 28.1% of the total; in service sector respectively 61.7% and 30.4% of the total), thus halting the adverse trend of previous years. The recovery in corporate profitability was not sufficient to meet firms increased financing needs in relation to the increases in investment and production. Consequently, the rise in self-financing was accompanied by increased recourse to equity capital and bank loans both in industrial and service firms (Table 4).

Table 4: Changes in Sources of Finance in Firms with 50+ Employees in 2010 (Values in Percent)

	Industrial Firms							
	Self-Financing		**Equity Capital**		**Bonds and Other Longterm Securities**		**Bank Loans**	
Geographical Area	**Negative**	**Positive**	**Negative**	**Positive**	**Negative**	**Positive**	**Negative**	**Positive**
North-West	24.2	67.5	5.2	12.1	3.0	1.7	16.6	32.1
North-East	31.2	67.5	3.0	12.5	2.5	1.9	29.6	29.9
Centre	30.1	57.8	2.8	13.4	0.4	2.6	20.3	31.0
South and Islands	30.2	52.3	3.7	11.9	1.0	2.8	12.5	25.3
Branch of activity								
Total manufacturing	28.2	63.4	4.1	12.3	2.3	2.0	21.0	30.4
Textiles, clothing, leather, footwear	23.9	68.9	2.2	7.9	2.2	0.7	23.8	25.1
Chemicals, rubber, plastics	25.3	69.5	2.5	8.8	1.6	0.3	16.1	38.5
Engineering	25.2	67.7	4.6	13.7	2.7	2.3	20.6	29.3
Other manufacturing	37.4	49.7	4.6	13.3	2.1	2.9	23.0	30.9
Energy and extraction	26.1	64.9	1.6	13.9	0.0	2.3	23.0	27.1
Number of employees								
20 – 49	-	-	-	-	-	-	-	-
50 – 199	27.8	62.7	3.9	11.8	1.9	2.0	19.5	30.0
200 – 499	31.9	65.2	4.5	16.3	2.8	1.0	28.9	32.5
500 and over	23.1	72.6	2.9	13.7	5.5	4.4	28.1	26.6
Total	*28.1*	*63.5*	*3.9*	*12.4*	*2.2*	*2.0*	*21.2*	*30.1*
	Service Firms							
	Self-Financing		**Equity Capital**		**Bonds and Other Longterm Securities**		**Bank Loans**	
Geographical Area	**Negative**	**Positive**	**Negative**	**Positive**	**Negative**	**Positive**	**Negative**	**Positive**
North-West	29.7	61.0	4.8	9.6	3.6	2.5	19.5	20.6
North-East	34.3	60.6	7.4	11.8	4.0	0.9	22.7	21.8
Centre	29.4	68.0	3.7	11.5	0.2	0.9	13.5	31.9
South and Islands	28.2	57.0	6.0	12.1	1.4	2.9	12.3	25.0
Branch of activity								
Trade, hotels, restaurants	31.4	59.8	4.3	12.7	0.7	4.5	17.8	23.4
Transport, storage, communication	28.5	63.4	7.2	8.5	4.0	1.0	16.2	27.2
Other h.hold and business services	31.0	62.5	5.4	11.0	2.6	0.3	19.2	21.9
Number of employees								
20 – 49	-	-	-	-	-	-	-	-
50 – 199	32.5	58.7	5.5	9.4	2.6	1.9	16.3	22.0
200 – 499	19.4	76.6	4.1	16.1	1.1	0.9	24.7	34.0
500 and over	29.4	66.2	6.9	19.1	4.2	4.5	20.2	27.7
Total	*29.2*	*62.6*	*4.7*	*11.7*	*2.4*	*1.9*	*19.6*	*27.3*

This table shows the change in sources of finance in industrial and service firms with 50 employees and over in 2010. Particularly, data are distinct in geographical area, branch of activity and number of employees and in different source of finance (self-financing, equity capital, bonds and other longterm securities, bank loans).

The demand for loans for debt restructuring purposes slowed significantly. Some 9.6% of firms declared they had entered into negotiations to restructure their bank loans. The reduction was especially marked for services and varied across industry. More specifically, there was a large fall among firms in the Centre (10 percentage points) and the South and Islands (6.4 percentage points) while the fall among firms in the North-West was less pronounced (3.7 percentage points) and firms in the North-East recorded an increase (2.6 percentage points). Some 4.2% of firms declared they had reached an agreement with their lenders (down by more than 4 percentage points on 2009), while another 3.9% were on the verge of concluding such an agreement; only 1.5% of firms failed to reach an agreement. Moreover, 5.9% of firms declared they had adhered to the “debt moratorium”.

To measure firms effective need for credit, a series of questions on the firms willingness to incur additional costs to obtain more financing and the action to obtain it are proposed. In 2010 some 29.6% of firms would have liked to increase their borrowing from banks and other financial intermediaries at the cost and security conditions currently applied. The proportion was slightly higher for industrial firms (31.3%) than for non-financial private service firms (27.7%) and in the South and Islands (35.6%) than in the Centre (31.3%) and the North (27.3%) (Table 5).

Table 5: Percentage of Firms That Want Increase Their Indebtedness in 2010

	Total	**Would have accepted worse conditions to obtain financing (1)**	**Actually applied for new loans (2)**	**Both the foregoing (1) and (2)**	**Applications for new loans turned down in whole or in part**	**Did not apply to banks because they believed they would be turned down**
			Geographical area			
Centre North	28.3	10.4	26.3	9.6	5.9	0.9
South and Islands	35.6	13.8	32.1	12.9	10.4	2.5
Branch of activity						
Industry	29.6	10.4	27.4	9.6	6.4	1.0
Services	29.6	12.3	27.3	11.4	7.5	1.7
Number of employees						
20 – 49	31.3	11.6	28.9	10.8	7.0	1.5
50 and over	27.7	10.4	25.7	9.6	6.4	0.9
Total	*29.6*	*11.0*	*27.4*	*10.2*	*6.7*	*1.2*

This table shows the percentage of firms that wanted to increase their indebtedness in 2010, distinct in geographical area, branch of activity and number of employees. Data includes questions on the firms willingness to incur additional costs to obtain more financing and the action to obtain it.

In industry, sectors that showed the greatest desire to increase their borrowing were energy and extractive firms (34.5%). In services they were transport and communications firms (33.1%). Only 11% of firms wished to increase their borrowing and would have accepted tighter lending or security conditions. Nearly all the firms that wished to increase their borrowing (27.4% of all firms) actually applied for new financing in 2010. Another 1.2% did not apply mainly because they believed intermediaries would have turned down their requests. Some 6.7% of firms declared that their applications for financing were turned down in whole or in part.

Between 2009 and 2010 there was a small decrease in the proportion of industrial firms reporting a tightening of borrowing conditions and a small increase in the proportion of service firms. The most severe assessments of the change in borrowing conditions concerned the level of accessory costs and, to a lesser extent, interest rates and the complexity of the corporate information to be provided to obtain new loans. Some 4.1% of firms had loans called in early by their lenders in 2010 (Table 6).

The Business Demography

The business demography is used to analyze the dynamics of the market and the various regional economic environments. The creation of new businesses and their exit from the market are important indicators of the degree of dynamism of an economic system and persistence of new initiatives in the markets to competition (Vivarelli, 2000).

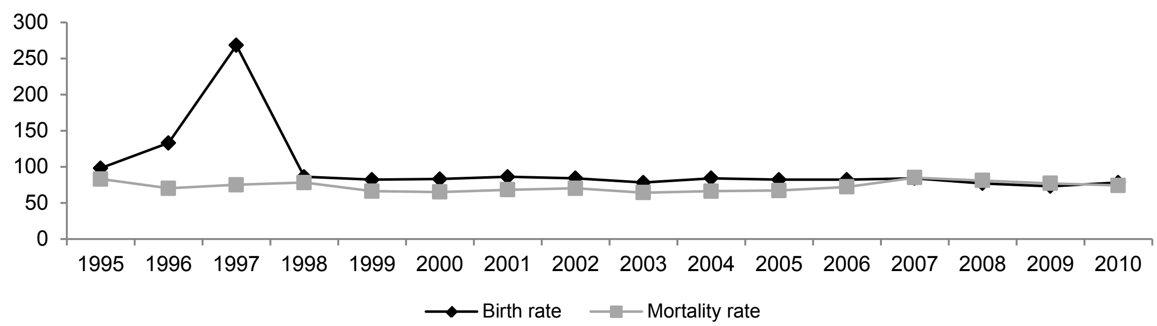
Table 6: Borrowing Conditions and Loans Called in (per Cent of Firms)

	2009	2010
Tightening of borrowing conditions		
Industry	22.4	19.3
Services	16.7	18.7
Total	19.8	19.0
Loans called in		
Industry	9.0	4.1
Services	6.1	4.1
Total	7.7	4.1

This table shows the percentage of borrowing conditions and loans called in, distinct in tightening of borrowing conditions and loans called in, in the period 2009-2010.

The impact of the financial crisis on the Italian corporate system has been studied considering the demographic trend of Italian firms from 1995 to 2010. Generally, the first observation shows the Italian corporate system has undergone important changes. The birth rate and the mortality rate were computed to describe the demographic trend of Italian firm. Figure 2 shows the demographic transition of Italian firms from 1995 to 2010. It presents the birth and mortality rates of firms recorded in the same period. The demographic analysis, generally, describes a constant trend, even if it observes a strong input of birth in 1997. This data is influenced by the strong growth in agriculture sector activity. In fact its birth rate increases from 73‰ in 1995 to 848‰ in 1997. In 2009 the mortality rate is higher than the birth rate, but during the next year (2010) of the analysis it is possible to observe a slight growth.

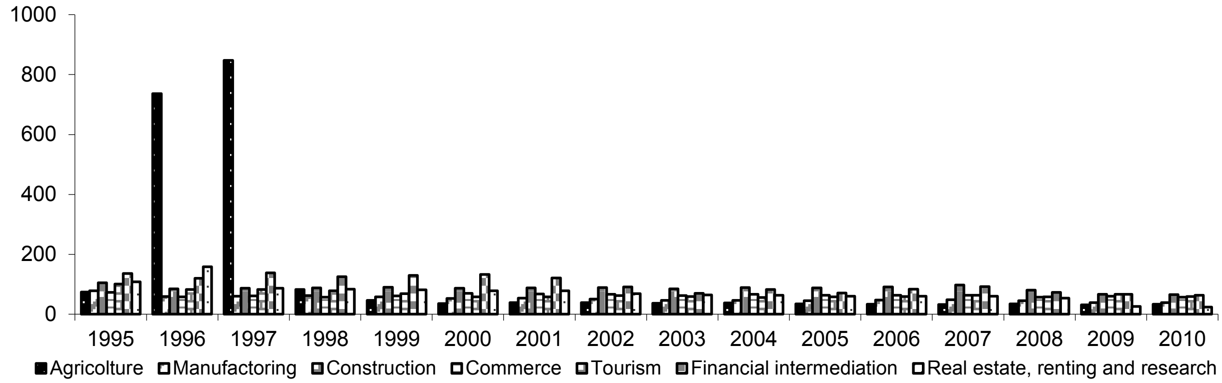
Figure 2: Demographic Transition of Italian Firms (Values per Thousand)



This figure shows the demographic transition of Italian firms in the period 1995-2010. Data on birth date and mortality rate are put in evidence.

The birth of the firms decreases for all examined periods and the sector activity with the largest decrease is the real estate, renting and research following by the financial intermediation, respectively from 108‰ (1995) to 24% (2010) and from 136% (1995) to 63% (2010). However, it is evident the strong growth of the agriculture firms above all in 1996 and 1997 (Figure 3).

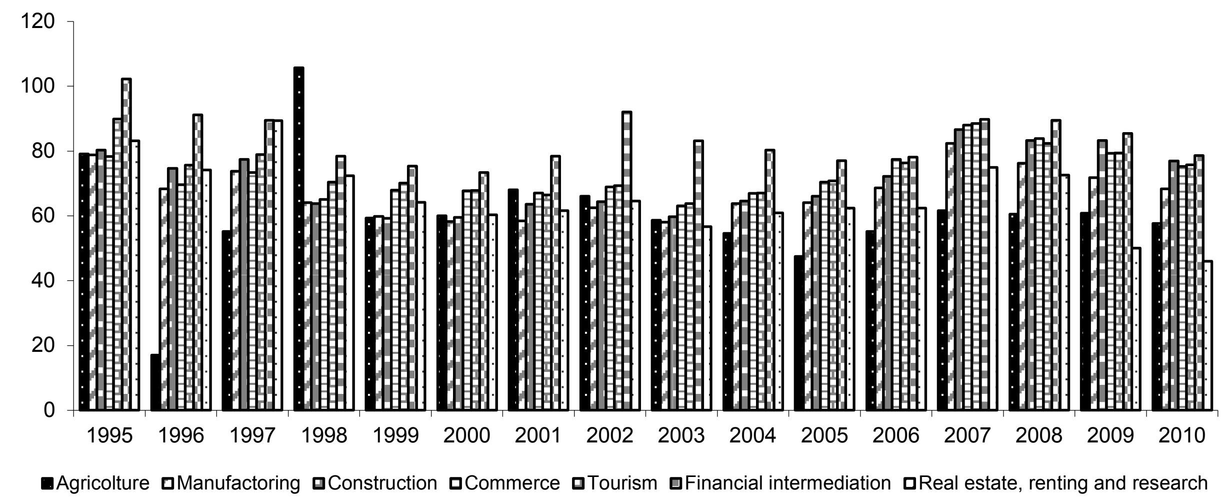
Figure 3: Birth Rate Trend by Activity Sector (Values per Thousand)



This figure shows the different trends of the birth rate by activity sector in the period 1995-2010.

The data previously described are confirmed by the mortality rate trend. Figure 4 notes how the agriculture sector experiences a good period in 1996-1997, and real estate, renting and research together to the financial intermediation present the high mortality of the firms.

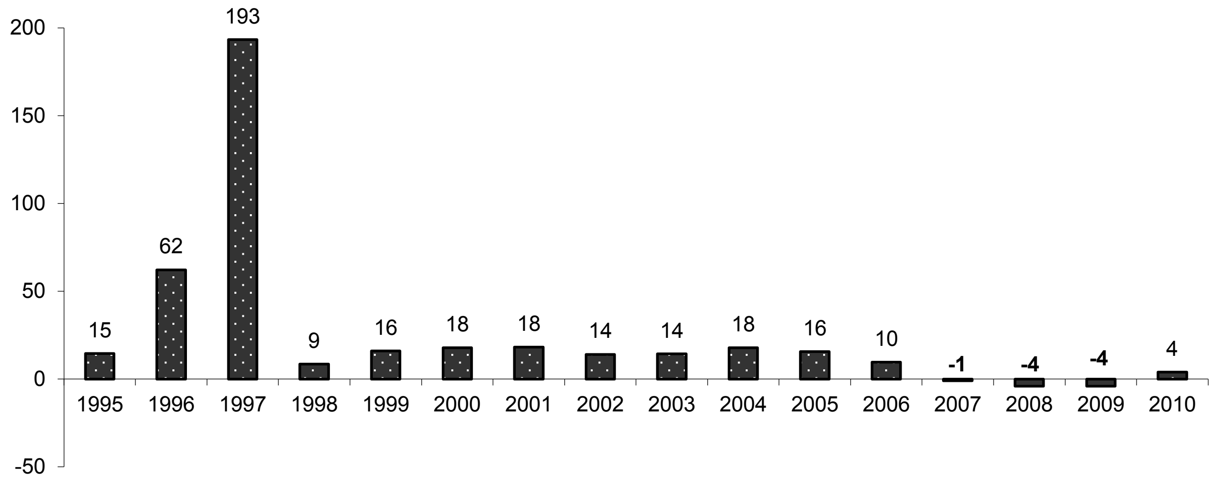
Figure 4: Mortality Rate Trend by Activity Sector (Values per Thousand)



This figure shows the mortality rate trend by activity sector in the period 1995-2010.

Besides, the study has developed the net rate of turnover namely the difference by the two demographic rates discussed in the precedent section. This indicator explains the increase undergone by Italian firms and it confirms the bad birth trend (Figure 5). By this indicator the growth of the number of Italian firms is observed. The net rate of turnover shows high values for the first part of the period examined, this positivity is due to the increase of the agriculture sector. During the last years considered, its values become negative, indicating a decrease of firms, but in 2010 it observes a slight growth due to the positive birth rate data.

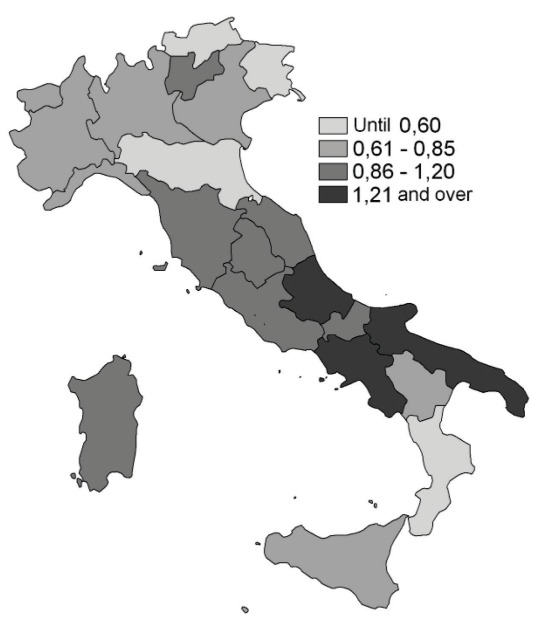
Figure 5: Net Rate of Turnover (Values per Thousand)



This figure shows the net rate of turnover in the period 1995-2010.

The business demography in Italian regions for 2010 shows different values for birth and mortality rates. For both indicators, the highest values are recorded in the South of Italy, while lower values are related to the Northeast (Figure 6). In the South of Italy, records the highest net rate of turnover, confirming 2001 data. The data shows particularly high values in Puglia, Abruzzo and Campania. Lombardy and Veneto is around 0.7%, while in Emilia-Romagna net rate of turnover amounted to 0.56%. Among the regions of Centre of Italy, the Marche present a gross rate of turnover much lower than the average of own geographical distribution, but it is associated a net rate of turnover high.

Figure 6: Net Rate of Turnover of the Italian Regions in 2010 (Values in Percent)



This figure shows the net rate of turnover through photography of the different Italian region in 2010. Data are distinct from more light colors to identify low net rate of turnover to more strong colors to identify low net rate of turnover.

CONCLUSIONS

This articles provides a picture of Italian industrial and service firms in the period 2007-2010, through a collection and elaboration of data published by the Bank of Italy and Infocamere regarding some aspects, as employment, turnover and operating results, investment and capacity utilization, ownership, organization and governance and corporate financing.

In 2010 employment fell by 1.4% compared with 2009. The largest contraction occurred in industry (2.2%), while the fall in services was 0.6%. Turnover rose by 1.1% at constant prices, thanks to the increase of 3.5% recorded by industry, while services recorded a further fall of 1.1%. Furthermore, the research shows the majority of firms reported an increase in their self-financing (the first time for two years). The rise in self-financing was accompanied by increased access to equity capital and bank loans. With regard to bank loans, nearly all the firms that wished to increase their borrowing actually applied for new financing in 2010. Few firms did not apply because they believed intermediaries would have turned down their requests.

In this paper, we examine the main findings of the Bank of Italy Survey of Industrial and Service Firms in 2010 to describe the principal characteristics of Italian industrial and service firms. Future studies might observe other indicators. Finally, another possible venue of future research is to analyze the relationship between corporate financing and the business demographic transition in different Italian regions.

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