



Comparative Business Demographics between Germany, Spain, France, Italy and Portugal.

Studies Department.
October 2018

EXECUTIVE SUMMARY

As we have been doing in this study since 2010, we have compared the business demography figures of 5 European countries: Germany, Spain, France, Italy and Portugal. This year we have expanded the period under study to 10 years to better see the impact of the crisis. In this study we will also compare business dynamism parameters of those countries in 2017. As in the previous editions, we will only address mercantile companies due to information availability and comparability reasons.

During the period 2007-2017, the financial crisis affected business creation and the amount of insolvency proceedings of these 5 countries. However, the numbers evolved differently.

The creation of companies grew in Germany, France and Portugal, while they did not recover their previous levels in Spain and Italy. The two countries with the highest increase in the amount of companies were Germany and France, with more than 30,000 new companies.

Regarding the amount of insolvency proceedings, it increased in all countries except in Germany, where it started decreasing in 2009. For the other countries, the highest number was recorded in 2007. Nevertheless, the evolution shows an improvement since insolvency proceedings in these 5 countries decreased during the last three years.

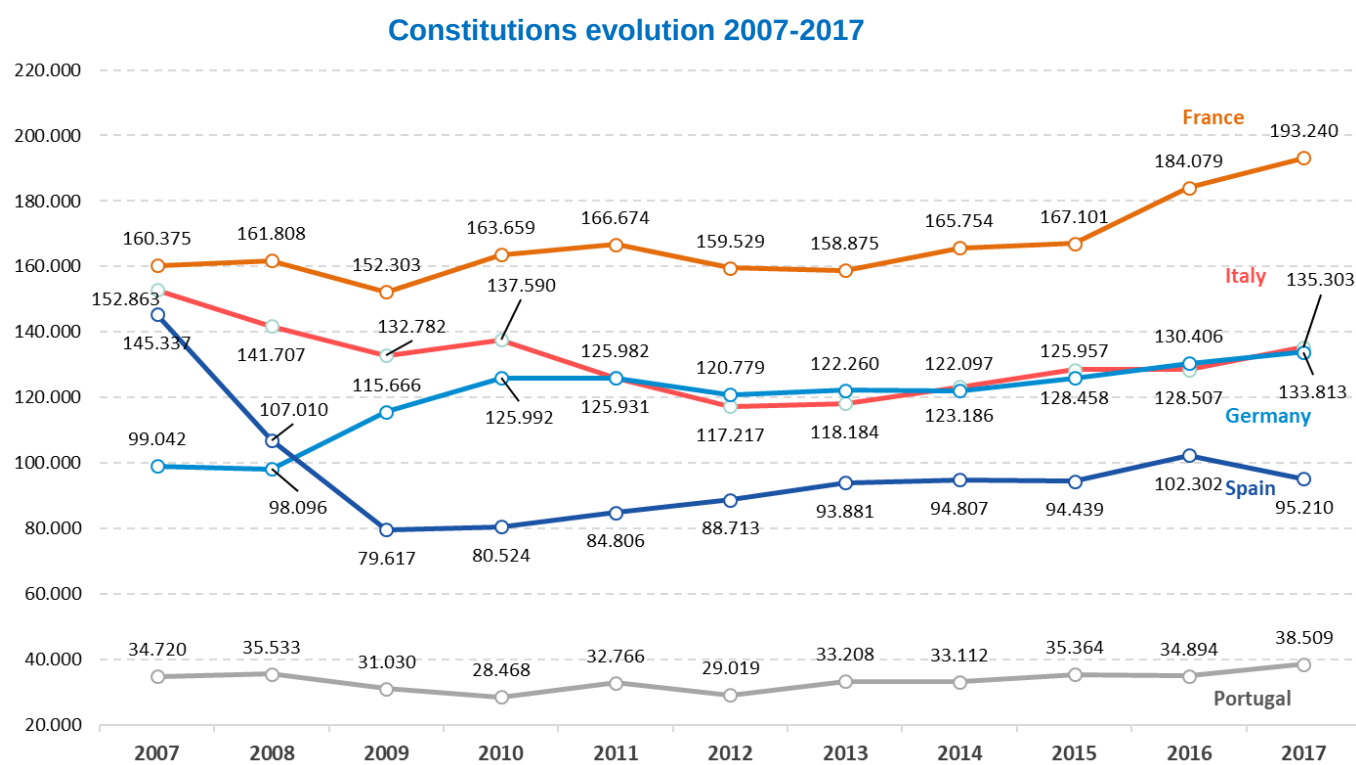
We also analysed the business dynamism of these 5 countries in 2017. Firstly, we compared the number of active companies with the companies with insolvency proceedings. This ratio is bigger in northern countries, like France and Germany. This phenomenon can be explained by a wider use of these proceedings in the North. This is also the case of Spain, where the number of insolvency proceedings is not proportional to the size of its economy.

On the other hand, we compared companies constitutions with the stock of active companies. In this case, we can observe that the countries with the highest indicators are Germany, Portugal and France.

According to several international studies, Spain has increased its ease to start businesses in the last few years. However, it still has a very low insolvency proceedings rate, which indicates a poor performance of the insolvency proceedings system and a decreasing number of companies constitutions, which increases in the other countries under study.

CONSTITUTIONS AND INSOLVENCY PROCEEDINGS

Companies constitutions



Sources: Informa D&B, Informa D&B Portugal, Insee, Cribis, Bisnode

Germany, France and Portugal created more companies in 2017 than in 2007. Conversely, constitutions in Spain and Italy decreased during that decade. Spain was the country where the crisis affected constitutions the most, with a 26.37% reduction in 2008 and a 25.60% reduction in 2009.

In Germany, 133,813 companies were registered in 2017, 35.11% more than in 2007, which is the greatest variation within the sample. The evolution was not continuous, but that increase is being maintained in the last three years.

Spain does not create as many companies as in 2007. The impact of the economic crisis was very strong between 2007 and 2009, and from that moment it started a slow recovery that stopped in 2016. Between 2016 and 2017, Spain was the only country to record a reduction in companies constitutions.

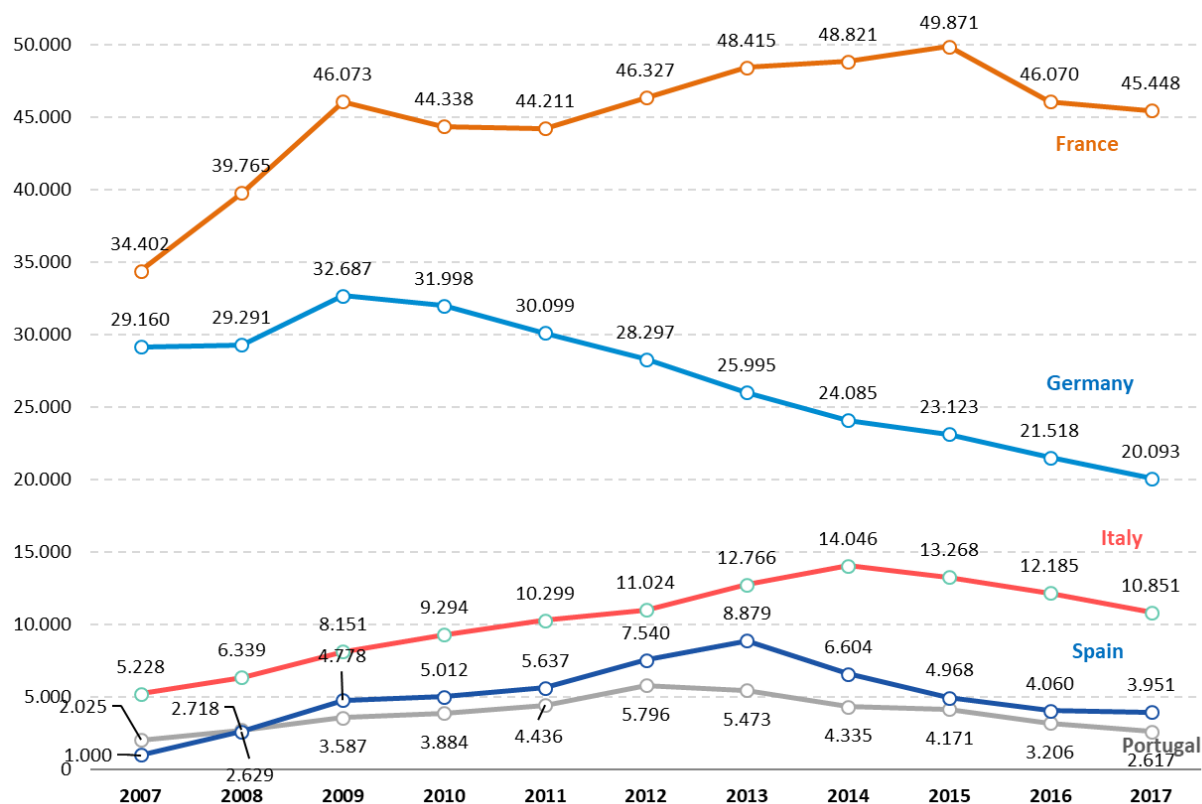
In France, the amount of new companies in 2017 —193,240— is the highest one of the five countries under study and it entails a 20.49% increase between 2007 and 2017. The growth has been steady for four years, but as a highlight, there was a 10.16% increase in 2015.

The number of companies that were created in Italy reached 135,303 in 2017, the third highest figure of the sample. However, the amount of constitutions is inferior to the amount in 2007 (-11.49%). The deterioration of companies constitutions was quite strong between 2007 and 2012, when 35,646 less companies were created.

The evolution of the constitutions through that period in Portugal is not continuous, but around 38,509 companies were created in 2017, the highest amount of the decade. That is a 10.91% increase between 2007 and 2017.

Insolvency proceedings

Insolvency proceedings evolution 2007-2017



Sources: Informa D&B, Informa D&B Portugal, Altares, Cribis, Destatis

Germany is the only country that registered less insolvency proceedings in 2017 than at the beginning of the period under study. In 2017, it registered 20,093 insolvency proceedings: 31.09% less than in 2007. Insolvency proceedings only grew between 2007 and 2009; from that point they started decreasing gradually.

Spain is the country where insolvency proceedings increased the most when comparing to 2007, when only 1,000 were registered. They reached its historic high in 2013 with 8,879 proceedings and then decreased.

France is the country where more insolvency proceedings were registered between 2007 and 2017. They reached its peak in 2015, with 49,871 insolvency proceedings, and from that moment on there was a turning point that continues in 2017.

During the period under study, Italy doubled the amount of insolvency proceedings, reaching 10,851 in 2017. After registering its peak in 2014, insolvency proceedings have dropped steadily.

In 2012, insolvency proceedings in Portugal doubled when compared to 2007, and reached its peak. They have been decreasing since then, even though the amount from 2017 was still 29.23% over the initial amount.

BUSINESS DYNAMISM IN 2017

In 2017, the insolvency proceedings rate¹ varied greatly from one country to another, mainly due to the organisation of the insolvency proceedings system. In 2017, the highest rates were observed in Germany and France. Spain²—which historically has less insolvency proceedings than other countries— registered the lowest rate, 0.22%, which confirms that only a minority of companies use insolvency proceedings. The amount of insolvency proceedings can be explained by the economic situation of the country, but we cannot forget that its use depends on the legal and organisational aspects of the insolvency proceedings system.

If we observe the number of annual insolvency proceedings in comparison with the number of active companies, we can see that the southern countries —Spain, Italy and Portugal— have a business mortality rate well below northern countries —Germany and France—.

On the other hand, if we measure business dynamism by the creations rate³, we can see that the countries with the highest rates were Germany, France and Portugal.

2017	PORTUGAL	ITALY	GERMANY	FRANCE	SPAIN
Active companies	385.116	2.667.542	1.089.485	2.140.248	1.795.543
Insolvencies	2.617	10.851	20.093	45.448	3.951
Insolvencies rate	0,68%	0,41%	1,84%	2,12%	0,22%
Creation	38.509	135.303	133.813	193.240	95.210
Creation rate	10,00%	5,07%	12,28%	9,03%	5,30%

¹ Insolvency proceeding rate: companies in insolvency proceedings / active companies

² For further information on the use of the insolvency proceedings in Spain:
 BDE: Why do Spanish firms rarely use the bankruptcy system? The role of the mortgage institution. M.Garcia Posada. J.S.Mora Sanguinetti. Working Paper 1234.2012.
 BDE. The use of bankruptcy proceedings in Spain Miguel García-Posada y Juan S. Mora-Sanguinetti, Economic Bulletin, December 2012
 FEDEA: The enigma of businesses insolvency proceedings and the crisis. M.Celentani. M.Garcia Posada. Fernando Gomes Pomar.

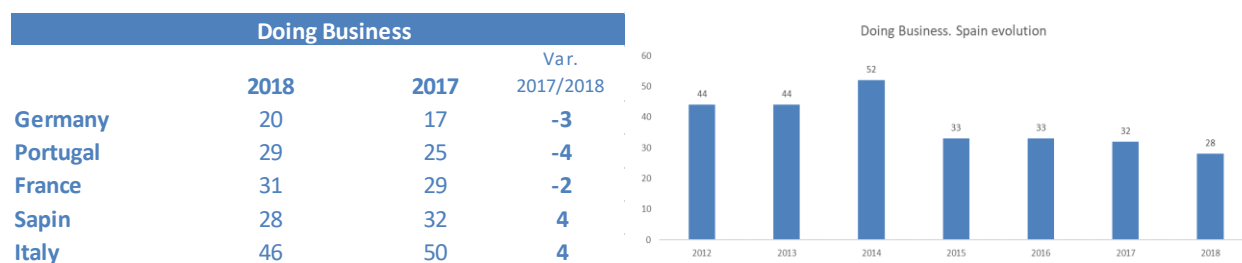
³ Creation rate: created companies /active companies

DOING BUSINESS 2018.⁴

'Doing business' is an annual study elaborated by the World Bank which analyses the legislation and socio-economic environment that conditions the business climate. This environment affects business creation and therefore contributes to economic growth, since there is a correlation between the ease of doing business and the competitiveness of an economy.

The ease of doing business consists on the analysis of the following factors: starting a business, building permits, getting electricity, property register, access to credit, investors protection, taxes, internationalization, contracts fulfilment, insolvencies resolution.

In the report of 2018, Spain is in the 28th position out of 190, improving 4 positions when compared to 2017.



⁴ <http://espanol.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2018-Full-Report.pdf>

COMPETITIVENESS GLOBAL INDEX

The Global Competitiveness Report is elaborated annually by the World Economic Forum. It studies and compares the factors of the competitiveness landscape of 140 countries.

In this last edition (which uses a new methodology) Spain is in the 26th position out of 140 analysed countries, going one step back when compared with the previous version.

The most valued factors were: the health, size of the market and information technologies. On the contrary, the less valued factors were the labour market and financial instability.

According to the indicators of the chapter "business dynamism" related to business creation, the cost of starting a business improved as compared to the previous edition, while the cost to establish a business was steady.

GLOBAL COMPETITIVENESS INDEX 4.0 2018 SPAIN	
26/140	Ranking (over 140)
Institutions	28
Infrastructures	10
Technological readiness	21
Macroeconomic stability	43
Health	1
Education	37
Goods market	34
Labour market	68
Financial system	27
Business dynamism	38
Innovation	25

METHODOLOGY

For this comparative study, we have considered both the creations and the number of active companies (only companies, sole proprietorships are excluded).

As for the cessations only the insolvency proceedings have been taken into account as they are the most commonly used data in Europe and always related to companies.

EUROPEAN INFORMATION SOURCES

- Germany
 - DESTATIS: <https://www.destatis.de>
 - BISNODE: <http://www.bisnode.com>
- France
 - ALTARES: <http://www.altares.fr/>
 - INSEE <http://www.insee.fr>
- Italy
 - CRIBIS: <http://www.cribis.com>
- Portugal
 - INFORMA D&B Portugal: <https://www.informadb.pt>

LEGAL FORMS

GERMANY

In Germany, commercial businesses are divided into:

- Sole proprietorships
- Persons companies: Kommanditgesellschaft (KG), Offene Handelsgesellschaft (OHG)
- Corporations: Gesellschaft mit beschränkter Haftung (GmbH) Aktiengesellschaft (AG).

In this study there have only been taken into account Persons and capital companies.

PORTUGAL

In Portugal the main commercial legal forms are:

- Sole proprietorships,
- Companies: Sociedade Anonima, Sociedade por quotas, Sociedade Unipessoal, Cooperativas.

In this study only companies have been considered.

ITALY

In Italy the main commercial legal forms are:

- Sole proprietorships
- Persons companies: Società Semplice (Ss), Società in nome collettivo (Snc), Società in accomandita semplice (Sas).
- Corporations: Società a responsabilità limitata (S.r.l.), Società per azioni (S.p.a.), Società in accomandita per azioni (S.a.p.a).

In this study there have only been contemplated Persons and capital companies.

FRANCE

In France the main commercial legal forms are:

- Sole proprietorships (including the new status of "*autoentrepreneur*")
- Companies: The main companies are: société à responsabilité limitée (SARL); entreprise unipersonnelle à responsabilité limitée (EURL); société anonyme (SA); société par actions simplifiée (SAS); société en nom collectif (SNC).

In this study only companies have been taken into account.

This study has been carried out by the Studies Department of INFORMA D&B.
The data come from INFORMA D&B's database.

ABOUT INFORMA D&B

INFORMA D&B (CESCE's subsidiary) is the leader company in Business, Financial, Sectorial and Marketing Information, with a consolidated sales volume of around 100 million Euro in 2017. It was the first Spanish business and financial database in obtaining AENOR's quality certificate; it currently has the ISO 9001 and 14001 certifications.

Since its inception in 1992, the INFORMA's database has been fed from multiple public and private information sources, as the BORME (Official Gazette of the Mercantile Register), Official Filed Accounts, BOE (Official State Gazette), Provincial and Autonomous Regions Official Gazettes. AA.), National and regional press, ad hoc investigations and several publications.

INFORMA's national database contains:

- 6.7 million national economic agents;
- 3.4 million companies and active sole proprietors with rating;
- more than 14.8 million companies' balance sheets;
- more than 15 million administrators and operational administrators;
- more than 2.6 million companies with corporate links;
- more than 150,000 data updated on a daily basis.

The leadership of INFORMA D&B reinforces in 2004 after absorbing the business in Spain and Portugal of the multinational Dun&Bradstreet. Since then, it takes part in the greatest business information network of the world: the D&B Worldwide Network, and as such, it offers online access to the information on 300 million companies all throughout the world.

The database of INFORMA is the one most used in Spain with more than 3 million users through its two brands: Informa, elinforma and DBK. Besides, 89 % of the Ibex 35 companies and more than 95 % of the financial institutions are active customers of INFORMA.

OTHER STUDIES CARRIED OUT BY INFORMA D&B:

- **Business demography study.** Monthly series available since April 2009
- **Insolvency Proceedings Study.** Monthly series available since April 2009.
- **Spanish and European Companies Payment Behaviour.** Quarterly series available since the second quarter of 2010.
- **Spanish and European Companies Payment Behaviour.** Quarterly series available since the second quarter of 2010.
- **Spanish and European Companies Payment Behaviour.** Quarterly series available since the second quarter of 2010.
- **Women in the administration boards and decision bodies in Spanish companies.** Annual series available since 2009.
- **"Gazelle" companies and high-growth companies.** Annual series available since 2012.

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