

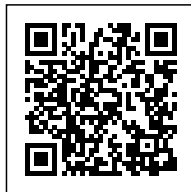
# EDITORIAL JANUARY/FEBRUARY 2012

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The sales continue, say General Counsel

Los vientos invernales que soplan sobre la Península Ibérica traen consigo un análisis frío y calculador por parte de los socios directores de los despachos ibéricos. En España, la sorpresa del 2011 fue el buen comienzo del año, aunque después del verano se sintió un parón a la espera de lo que pudiera acontecer en la economía global. Por su parte, en Portugal se vivió una caída de las operaciones, a pesar del impulso dado por las privatizaciones del Gobierno. Los despachos afirman que el 2011 terminó con resultados negativos respecto al año 2010. De los despachos que ya han anunciado sus resultados, en su mayoría, presentan un balance sin pérdidas, transmitiendo un sentimiento de alivio. Sin embargo, y a pesar de la leve reducción de personal de algunos, todavía no se han visto despidos importantes y los bonus de los abogados junior se siguen pagando. En este contexto, quizás los más beneficiados sean las empresas ya que los honorarios y las tarifas de los

abogados siguen bajando.

The winter winds now blowing across the Iberian Peninsula seem also to have brought a colder, more objective, analysis of the prospects for 2012 by many Managing Partners.

In Spain, the surprise of 2011 was that the year started so well, only to crash after the summer break as investors once again adopted a "wait and see" approach to new investments – due to concerns over the level of the country's public debt and wider worries over the stability of the euro. Many firms' forecasts thus proved over-optimistic in terms of both new business and revenues.

In Portugal too, the downturn has taken an icy grip. The Government's privatisation programme may be gaining momentum but it cannot make up for an overall drop in transactional activity. In contrast to last year, therefore, the talk on both sides of the border is now of a potentially lost year. No-one wants to make the same mistake again.

Of the major Iberian law firms that have begun to publicly announce their results for 2011, most report at best flat revenues, even with a degree of internal restructuring and financial re-engineering.

As one Managing Partner says, the blinkers have finally been removed from lawyers' eyes. They can no longer blame the environment outside their firm's windows for all of the problems within.

But this is not to say that there is no positive news on the horizon. Governments' emphasis is now turning away from austerity cuts and towards promoting economic growth, including in Spain and Portugal the announcement of significant labour, financial and regulatory reforms. This will bring a sharp upturn in clients' compliance needs over both the short- and medium-term, many predict. As we see in our Special Reports, firms across Iberia already see consistent, even growing, demand for administrative, competition and disputes expertise, albeit everyone wishes that the corporate and finance departments were busier.

But we perhaps shouldn't feel too sorry for the law firms. In the good times Partners reaped the rewards of very high leverage and profit margins of anywhere between 30-60 percent. In the less good times, ratios have fallen as have the scale of draw-downs, and General Counsel believe there is further room to manoeuvre on fees, yet still no-one is going hungry.

Many law firms are getting quietly smaller, but there are as yet no redundancy programmes and junior lawyers' bonuses are still being paid. Some Partners may say, in private, that they would like to make a sharper correction but that would take a bold move. Other firms would likely follow, but for now we are seeing a focus on maintaining the partnership glue.

So the winners in all this may be the clients. The sales continue, say General Counsel. Businesses face an uncertain 2012 but a legal market in which firms are hungrier and more ready to negotiate on price than ever before. It is a buyers' market; but that doesn't mean that firms need stay out in the cold.