

# MANAGING ECONOMIC CONTAGION ACROSS BUSINESS SECTORS - JAUSAS

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## **A combination of an increased demand for refinancing and the impact of multiple business failures is prompting insolvency issues across new areas of the economy**

The nature of the restructuring and insolvencies now being seen in Spain have changed in recent months as both the types of companies affected and the issues being experienced have evolved, says Agustín Bou, Head of Restructuring and Insolvency at Jausas.

“Insolvency figures will remain high but in my opinion the boom has already passed as the major construction and promoter companies have already failed. Now however we are seeing companies from other areas of the economy facing difficulties, they may not have such large debts but many have larger workforces and a significantly higher volume of creditors.”

Insolvencies have therefore started to affect the “real” economy, he says. “Across many business sectors the degree of economic uncertainty remains the same or even worse as a result of the

collapse of other areas of the economy – the issue of contagion is very real.”

The recurring challenge is undoubtedly the ability of companies to obtain new financing or to refinance the debt they already have. As a result of falling consumption, and the continued excess of properties on the market, many business projections for retail, manufacturing and real estate companies have proved unobtainable. Refinancings undertaken only 12 or 18 months ago are already in default and companies are finding the banks unwilling to lend against new financial projections, he says. Nonetheless many banks remain equally unwilling to add more loss provisions to their own accounts.

“As a result of pressure from both debtors and creditors we have however begun to see some very creative structures utilised. The banks may still be reluctant to accept them, but we have employed creditors’ agreements in which there is a mixed proposal that includes a reduction of debt, stays and the partial capitalisation of credits.”

Companies need however to be aware that debt negotiations, and renegotiations, may take much longer than was ever previously the case, and have therefore to pre-empt issues before they become acute.

“The danger always is that if negotiations become protracted there is the danger of falling into insolvency. And if a formal insolvency procedure is necessary, the speed and effectiveness of the proceedings will very much depend on the Court in which it occurs.”