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Press Information

Corporate insolvencies in Europe, 2020

State intervention prevents wave of insolvencies

Massive intervention by national governments prevented the Corona crisis from triggering a wave of insolvencies in Europe. The number of corporate insolvencies In Western Europe in 2020 was the lowest in three decades. Altogether, around 120,000 corporate insolvencies were registered. This represents a significant drop of more than a quarter (minus 26.9 percent) compared to the previous year (2019: 163,000). "To combat the economic consequences of the pandemic, most countries launched extensive measures to support the economy from spring 2020 onwards," says Patrik-Ludwig Hantzsch, Head of Creditreform Economic Research in Neuss. "Above all, the financial aid measures and changes to relevant insolvency legislation have led in total to the paradoxical decline in registered insolvency cases."

Almost all the Western European countries surveyed (EU-15 plus Norway and Switzerland) recorded declining case numbers. The only exception was Ireland, with a minimal increase. The sharpest year-on-year falls in the number of insolvencies were in Germany's neighbouring countries of Austria, France, Denmark and Belgium.

Insolvencies down in Central and Eastern Europe too

Insolvency figures also fell in the countries of Central and Eastern Europe in the Corona year of 2020, declining by 8.8 percent compared with the year before. Around 44,800 corporate insolvencies were registered (2019: 49,119 cases). In Central and Eastern Europe, the retail sector dominated the insolvency scene, accounting for 42.7 percent of all insolvencies. Turkey saw an increase in insolvency figures (up 13.5 percent to around 16,000 cases).

Most insolvencies in the service sector

In Western Europe, the number of insolvencies decreased significantly in all four main sectors of the economy. The fall in insolvency totals was particularly marked in the construction industry (minus 31.7 percent) and in the retail sector (including hotels and restaurants), with minus 30.1 percent. Manufacturing (minus 25.2 percent) and services (minus 22.5 percent) also recorded appreciable declines. The service sector dominates insolvency activity in Western Europe both in terms of numbers (around 50,000 cases) and in terms of share (42.0 percent). Retail (including hospitality business) accounts for 30.1 percent of the total volume, construction for 17.4

percent (20,700 insolvencies). One-tenth of all insolvencies (10.5 percent) were registered in the manufacturing sector.

Into the crisis with high equity ratios

"Companies in Western Europe entered the Corona crisis with a strong buffer," reports Hantzsch. An evaluation of the balance sheet figures of more than three million companies from the pre-crisis year shows that profit margins and equity ratios increased again in 2019. "This has increased stability," Hantzsch continues. The evaluation reveals that a large proportion of companies (46.5 percent) had a high equity ratio of more than 50 percent. This is a significant improvement compared to 2012 (40.1 percent). 21.9 percent of the companies surveyed are considered to be equity-weak (an equity ratio of less than 10 percent equity).

Insolvency wave only postponed?

Nevertheless, more than one in five companies in Western Europe (21.9 percent) did not record any profits with their business model. "Following the Corona downturn, these companies in particular are likely to form the insolvency potential in the coming years," says Hantzsch. In connection with the expiry of government aid measures, this circumstance is likely to lead to a rising volume of insolvencies.

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