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Press Information

Corporate insolvencies in Europe, 2018/19

Slight increase in insolvencies in Western Europe

In Western Europe (EU-15 plus Norway and Switzerland), the number of corporate insolvencies rose slightly in 2018. At 165,213, the total was 0.3 percent higher than in 2017 (164,798). This represented the first increase since 2013. In Central and Eastern Europe, on the other hand, the number of corporate insolvencies continued to fall, declining by 6.6 percent to 46,698.

Overall, the economic environment in Europe was less favourable in 2018. In the course of the year, positive momentum eased considerably. The continuing uncertainties surrounding Brexit are also likely to have impacted adversely on the economic situation. But primarily the insolvency figures in Western Europe were driven by growth in in the totals in Scandinavia.

Scandinavia drives the insolvency figures

In seven of the 17 Western European countries surveyed, the number of corporate insolvencies rose. Luxembourg (plus 27.8 percent), Finland (plus 17.3 percent), Sweden (plus 13.2 percent), Denmark (plus 12.1 percent) and Norway (plus 9.9 percent) recorded significant percentage increases. More insolvencies than in the previous year were also registered in Switzerland and the UK.

In contrast, there was a sharp reduction in the number of insolvencies in Greece (minus 31.7 percent), Ireland (minus 12.2 percent) and Portugal (minus 6.3 percent). The situation also continued to ease in the Netherlands (minus 4.4 percent), Germany (minus 3.6 percent), Spain (minus 3.1 percent) and Italy (minus 2.9 percent). Slight declines were recorded in Austria and France.

Mixed picture in Eastern Europe - decline in the USA

Bucking the positive trend in Eastern Europe were Bulgaria, Latvia, Macedonia, Poland, Slovenia and Ukraine, all of which recorded an increase in insolvencies. On the other hand, insolvency figures in the Czech Republic, Slovakia, Croatia, Lithuania and Estonia declined noticeably. In Turkey, the number of corporate insolvencies fell to 13,593 (minus 7.5 percent). Many insolvent companies in that country come from the retail sector. In the United States, the number of corporate insolvencies fell slightly in 2018, producing a total of

37,822 cases. This represented a year-on-year reduction of 0.6 percent.

More insolvencies among retail firms

Insolvency figures rose again slightly in the Western European construction sector (plus 1.0 percent), but above all in the retail sector (plus 4.2 percent). The year before, both of these sectors had reported declining totals. There were fewer insolvencies in manufacturing (minus 1.8 percent) and the service sector (minus 2.6 percent). In 2018, the retail sector (including hotels and restaurants) accounted for around one third (32.1 percent) of all corporate insolvencies in Western Europe. That was a significantly higher proportion than in the previous year (30.9 percent).

In Eastern Europe, the retail sector was responsible for the greatest number of insolvencies (share in 2018: 38.4 percent). Compared to the previous year, however, the proportion generated by this sector decreased. Contrary to the trend, there were more insolvencies in the service sector in Eastern Europe (2018: 30.0 percent; 2017: 25.8 percent).

Higher earnings and improved equity ratios

The profits of Western European companies have been rising further. In 2017, a good one company in every six (16.9 percent; previous year: 16.2 percent) reported an EBIT margin of more than 25 percent. At 22.2 percent, the proportion of companies registering losses was lower than before (previous year: 22.9 percent). By way of comparison, in 2012 almost 28 percent of all companies reported negative earnings. Among firms making losses in 2017, the proportion from the retail and hospitality sectors was higher than average.

Equity ratios in Western Europe have continued to recover. In 2017, 44.7 percent of companies had a high equity ratio of more than 50 percent (previous year: 43.7 percent). This proportion has increased by almost five percentage points since 2012 (40.1 per cent). A very low equity ratio of less than 10 per cent was recorded for just under one firm in every four (22.8 percent; previous year: 23.5 percent). It is still the retail sector where the proportion of equity-weak companies is highest.

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